NYX GAMING GROUP

December 31, 2016
Audited Consolidated Financial Statements

www.nyxgg.com

Independent Auditor's Report to the Shareholders of NYX Gaming Group Limited

We have audited the non-statutory consolidated financial statements of NYX Gaming Group Limited and its subsidiaries for the years ended December 31, 2016 and 2015, which comprise the consolidated balance sheets, the consolidated income statements, the consolidated statements of comprehensive income (loss), the consolidated statements of changes in equity, the consolidated statements of cash flows and the related notes.

This report is made to the company's shareholders as a body in accordance with the terms of our engagement letter. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report. Subject to any statutory right of action that an acquirer of the company's securities might have under applicable Canadian securities laws and otherwise to the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibilities for the Non-Statutory Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of these non-statutory consolidated financial statements in accordance with International Financial Reporting Standards and applicable law, and for such internal control as they determine is necessary to enable the preparation of non-statutory consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-statutory consolidated financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the non-statutory consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the non-statutory consolidated financial statements sufficient to give reasonable assurance that the non-statutory consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information included with the non-statutory consolidated financial statements to identify material inconsistencies with the audited non-statutory consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the non-statutory consolidated financial statements present fairly, in all material respects, the financial position of NYX Gaming Group Limited and its subsidiaries as at December 31, 2016 and 2015 and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Grant Thornton UK LLP
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

April 25, 2017

NYX Gaming Group Limited
Consolidated Balance Sheets

CAD$ (in 000s)	Note	As at December 31, 2016	As at December 31, 2015
ASSETS			
Current assets:			
Cash and cash equivalents		37,918	5,082
Restricted cash		4,462	4,628
Trade and other receivables	**7**	50,109	17,040
Prepaid expense		4,354	3,442
Deposits and other current assets		533	219
Total current assets		**97,376**	**30,411**
Non-current assets:			
Property, plant and equipment, net	**10**	8,413	4,273
Deferred tax asset	**11**	2,466	—
Goodwill	**8**	285,639	80,089
Other intangible assets, net	**9**	338,021	175,051
Derivative asset	**17**	16,254	—
Other investments		179	179
Other non-current assets		4,028	1,809
Total non-current assets		**655,000**	**261,401**
Total assets		**752,376**	**291,812**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Trade payables and accrued liabilities	**12**	39,238	30,366
Customer deposits and deferred revenue	**13**	14,030	4,669
Borrowings	**15**	30,532	9,589
Other current liabilities	**14**	5,410	14,865
Total current liabilities		**89,210**	**59,489**
Non-current liabilities:			
Borrowings	**15**	297,408	59,818
Deferred tax liability	**11**	56,991	29,648
Derivative liability	**17**	38,155	3,586
Convertible preferred shares	**16**	74,999	—
Other non-current liabilities	**14**	4,464	4,581
Total non-current liabilities		**472,017**	**97,633**
Total liabilities		**561,227**	**157,122**
Stockholders' equity:			
Share capital	**19**	269,396	134,020
Share-based payments	**19**	2,005	1,821
Other components of equity	**19**	14,723	37,155
Retained deficit		(94,975)	(38,306)
Total equity		**191,149**	**134,690**
Total liabilities and stockholders' equity		**752,376**	**291,812**
Contingency	**24**		

Approved and authorized on behalf of the Board of Directors on April 25, 2017.

/s/ Matthew Davey
Matthew Davey, CEO

/s/ Eric Matejevich
Eric Matejevich, CFO

See accompanying notes to the Consolidated Financial Statements.

NYX Gaming Group Limited
Consolidated Income Statements

CAD$ (in 000s, except per share amounts)	Note	Year Ended December 31, 2016	Year Ended December 31, 2015
Revenue	**5**	163,733	52,309
Cost of sales		(19,522)	(7,511)
Gross profit		**144,211**	**44,798**
Income (expense):			
Marketing costs		(5,562)	(4,442)
Administrative costs		(29,097)	(9,908)
Personnel costs		(74,526)	(31,874)
Depreciation	**10**	(2,132)	(698)
Amortization	**9**	(29,445)	(9,659)
Impairment of intangibles	**9**	(27,923)	(3,189)
Impairment of goodwill	**8**	(66,115)	(1,498)
Acquisition and restructuring costs	**6**	(19,724)	(9,839)
Foreign exchange		(229)	(3,554)
Gain on acquisition		—	17,395
Loss on exchange of debt	**15**	(23,856)	—
Interest expense, net		(30,218)	(4,060)
Fair value adjustment to derivative	**17**	93,218	6,621
Other income		4,613	348
Loss before taxes		**(66,785)**	**(9,560)**
Income tax expense	**11**	(1,340)	(201)
Deferred income tax benefit	**11**	10,189	1,357
Net loss attributable to owners of the parent		**(57,936)**	**(8,403)**
Basic loss per share	**20**	**(0.77)**	**(0.20)**
Diluted loss per share	**20**	**(0.77)**	**(0.20)**

See accompanying notes to the Consolidated Financial Statements.

NYX Gaming Group Limited
Consolidated Statements of Comprehensive Income (Loss)

CAD$ (in 000s)	Year Ended December 31, 2016	Year Ended December 31, 2015
Net loss	(57,936)	(8,403)
Other comprehensive income (loss):		
Items to be reclassified subsequently to profit (loss)		
Foreign currency translation adjustment	(22,432)	1,463
Other comprehensive income (loss), net of tax	**(22,432)**	**1,463**
Total comprehensive loss	**(80,368)**	**(6,940)**

See accompanying notes to the Consolidated Financial Statements.

NYX Gaming Group Limited
Consolidated Statements of Changes in Equity

CAD$ (in 000s)	Note	Share Capital	Share-Based Payments	Other Components of Equity	Retained Deficit	Total Equity
Balance at December 31, 2014		**64,989**	**1,887**	**432**	**(29,903)**	**37,405**
Share-based payments		—	276	—	—	276
Issuance of ordinary shares, equity raise	19	61,014	—	—	—	61,014
Issuance of ordinary shares, convertible note	19	207	—	—	—	207
Issuance of ordinary shares, SNG acquisition	19	9,922	—	—	—	9,922
Cost of issuance of ordinary shares		(3,304)	—	—	—	(3,304)
Issuance of shares, stock options	19	850	—	—	—	850
Exercise of stock options		342	(342)	—	—	—
Convertible preferred shares		—	—	35,260	—	35,260
Total transactions with shareholders		**69,031**	**(66)**	**35,260**	**—**	**104,225**
Net loss		—	—	—	(8,403)	(8,403)
Other comprehensive income		—	—	1,463	—	1,463
Total comprehensive income (loss)		**—**	**—**	**1,463**	**(8,403)**	**(6,940)**
Balance at December 31, 2015		**134,020**	**1,821**	**37,155**	**(38,306)**	**134,690**
Share-based payments		—	1,759	—	—	1,759
Issuance of ordinary shares, equity raise	19	137,194	—	—	—	137,194
Issuance of ordinary shares, Game360 earnout	19	2,543	—	—	—	2,543
Issuance of ordinary shares, convertible note	19	896				896
Cost of issuance of ordinary shares		(6,554)	—	—	—	(6,554)
Issuance of shares, stock options	19	989	—	—	—	989
Exercise of stock options		308	(308)	—	—	—
Expiration of warrants	19	—	(1,267)	—	1,267	—
Total transactions with shareholders		**135,376**	**184**	**—**	**1,267**	**136,827**
Net loss		—	—	—	(57,936)	(57,936)
Other comprehensive loss		—	—	(22,432)	—	(22,432)
Total comprehensive loss		**—**	**—**	**(22,432)**	**(57,936)**	**(80,368)**
Balance at December 31, 2016		**269,396**	**2,005**	**14,723**	**(94,975)**	**191,149**

See accompanying notes to the Consolidated Financial Statements.

NYX Gaming Group Limited
Consolidated Statements of Cash Flows

CAD$ (in 000s)	Note	Year Ended December 31, 2016	Year Ended December 31, 2015
Operating activities:			
Net loss		(57,936)	(8,403)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	**9,10**	31,577	10,357
Impairment of intangibles and goodwill	**8,9**	94,038	4,687
Gain on contingent consideration adjustment		(9,444)	—
Loss on exchange of debt		23,856	—
Fair value adjustment to derivative	**17**	(93,218)	(6,621)
Gain on acquisition		—	(17,395)
Share-based payments	**21**	1,759	276
Finance expense, net		—	594
Deferred income tax benefit	**11**	(10,189)	(1,357)
Discount amortization on notes		2,751	1,495
Changes in operating assets and liabilities, net of acquisitions:			
Trade and other receivables		8,316	2,945
Prepaid expense		2,439	(211)
Deposits and other current assets		(12,471)	858
Trade payables, provision and other current liabilities		21,923	(150,603)
Net cash provided by (used in) operating activities		**3,401**	**(163,378)**
Investing activities:			
Acquisitions, net of cash acquired	**4**	(491,174)	(123,019)
Purchase of property, plant and equipment	**10**	(3,545)	(1,010)
Capitalized development cost	**9**	(11,833)	(9,298)
Restricted cash movement		166	—
Acquired IP		—	(396)
Net cash used in investing activities		**(506,386)**	**(133,723)**
Financing activities:			
Borrowings on revolving credit facility		5,810	—
Issuance of ordinary shares, net of issuance costs		109,908	56,771
Issuance of debt and preferred shares		434,475	65,175
Interest paid		(16,257)	(2,626)
Proceeds from exercise of stock options		990	846
Proceeds from equity investment		—	10,000
Repayment of debt	**15**	—	(1,121)
Net cash provided by financing activities		**534,926**	**129,045**
Net change in cash		**31,941**	**(168,056)**
Cash - beginning of the year		5,082	23,471
Exchange rate differences on cash		895	(1,378)
Cash - end of the year		**37,918**	**(145,963)**

See accompanying notes to the Consolidated Financial Statements.

1. Nature of Business

NYX Gaming Group Limited ("NYX," "Group" or the "Company") as a business was originally named NextGen, which was founded in 1999 and reconstituted as the Company in April 2010. The company trades on the Toronto Stock Exchange - Venture Exchange ("TSX-V") under the ticker symbol NYX. NYX's registered offices are in Guernsey with principal offices in the United States, United Kingdom, Sweden, Australia, Malta, and Greece. NYX is a digital gaming software supplier for the online gaming, land-based gaming, social gaming, and mobile gaming markets with a comprehensive suite of gaming solutions: a distribution platform with over 1,000 proprietary and third party games for real-money and social gaming markets, full real-money and social gaming process support services, and brand and player management. The Company currently provides its technology to over 180 customers in the United Kingdom, Malta, Sweden, Canada, France, Denmark, Netherlands, Alderney, Singapore, Gibraltar, and the United States. These financial statements have been approved and authorized on behalf of the Board of Directors on April 25, 2017.

NYX's gaming portfolio is built on a fully-flexible system, able to be deployed across hundreds of virtual and land-based casinos globally, and supports all parts of its customers' business (online, mobile, and social networks), including over 750 proprietary lottery, bingo, and casino products developed to address the multi-channel content and distribution strategy of its customers. NYX's platform supports interactive game play and enables the deployment of software applications for mobile, casino, lottery, bingo, and social games over web-based, tablet/mobile, and social media applications. The platform solutions are designed to provide a complete account suite with full back-office capabilities including tournaments, bonuses, affiliates, campaigns, data warehouses, and data analytics across multiple products, while providing players with traditional gaming, community and social media-based entertainment content to maximize their playing experience.

2. Summary of Significant Accounting Policies

2.1 General Information and Statement of Compliance with International Financial Reporting Standards

NYX Gaming Group Limited is a limited liability company incorporated and domiciled in Guernsey with a registered office located at Roseneath, The Grange, St Peter Port, Guernsey GY1 3SJ.

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Standards Interpretations Committee. Certain of the balances presented in the prior year have been reclassified to conform to the presentation of the current year, including restricted cash, trade payables and accrued liabilities, and customer deposits and deferred revenue. The Company's restricted cash at December 31, 2016 related to funds held for settlement of jackpot liabilities and cash held separately for operating lease agreements. Refer to Note 2.15, *Restricted Cash*, for more information regarding restricted cash. Additionally, an amount in the prior year was reclassified from 'Trade payables and accrued liabilities' to 'Customer deposits and deferred revenue' on the consolidated balance sheet. These reclassifications were made for presentation purposes for comparison to how the Company reports currently.

2.2 Basis of Preparation and Consolidation

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset of liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based compensation transactions that are within the scope of IFRS 2, *Share-based Payment*, leasing transactions that are within the scope of International Accounting Standards ("IAS") 17, *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2, *Inventories*, or value in use in IAS 36, *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of Consolidation

A subsidiary is an entity controlled by the Company, whereby the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its current ability to direct the entity's relevant activities (power over the investee).

The existence and effect of substantive potential voting rights, where the Company has the practical ability to exercise (i.e. substantive rights), are considered when assessing whether the Company controls another entity.

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. As of December 31, 2016, the consolidated financial statements included the subsidiaries listed in Note 2.18. All subsidiaries have a reporting date of December 31.

Upon loss of control of a subsidiary, the Company's profit or loss is calculated as the difference between (i) the fair value of the consideration received and of any investment retained in the former subsidiary and (ii) the previous carrying amount of the assets, including any goodwill, and liabilities of the subsidiary and any non-controlling interests.

Going Concern

These consolidated financial statements are prepared, in accordance with the IFRS conceptual framework, assuming the Company is a going concern and will continue in operation for the foreseeable future. International Accounting Standards ("IAS") 1, *Presentation of Financial Statements*, requires management to make an assessment of an entity's ability to continue as a going concern. The Company has performed a detailed analysis of its cash flows, including its historical negative cash flows from operations, losses from operations and historical working capital deficiency, as disclosed in its financial statements, as well as its cash flow projections and anticipated cash inflows and outflows, and has determined that funds from operations, as well as existing and future financial resources, should be sufficient to meet the Company's requirements for the foreseeable future. The Company has divested of a reporting unit which previously had a negative impact on cash generated from operations. Furthermore, the Company's most recently acquired companies, OpenBet and Betdigital, as well as deferred revenue related to revenue guarantee contracts with major customers, are expected to generate cash from operations in future periods. This additional positive cash flow combined with the improvements in trading, are expected to generate necessary financial resources for the foreseeable future to meet all of the Company's current and future obligations. Accordingly, notwithstanding its historically negative cash flows, losses and historical working capital deficiencies, the Company has concluded that there is no uncertainty over the Company's ability to continue as a going concern as of December 31, 2016.

2.3 Business Combinations

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired and liabilities assumed, including contingent liabilities, are recognized, regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated balance sheet at their acquisition date fair values. Goodwill is stated after separate recognition of identifiable intangible assets. Goodwill is the excess of the fair value of the consideration transferred over the fair value of the Company's share in the acquiree's net identifiable assets on the date of acquisition. Any excess of the identifiable net assets over the consideration transferred is recognized in profit or loss immediately as gain on bargain purchase.

The consideration transferred by the Company to acquire control of a subsidiary is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred and equity interests issued by the Company, including the fair value of all the assets and liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

2.4 Translation of Foreign Operations and Foreign Currency Transactions

Functional and Presentation Currency

IAS 21, *Effects of Changes in Foreign Currency Rates*, requires entities to consider primary and secondary indicators when determining the functional currency. Primary indicators are closely linked to the primary economic environment in which the entity operates and are given more weight. Secondary indicators provide supporting evidence to determine an entity's functional currency. Once the functional currency of an entity is determined, it should be used consistently, unless significant changes in economic facts, events and conditions indicate that the functional currency has changed. A change in functional currency is accounted for prospectively from the date of change by translating all items into the new functional currency using the exchange rate at the date of change.

The presentational currency of NYX is Canadian dollars, which in the opinion of the Company's management is the most appropriate presentation currency in view of its operations in the global marketplace, user needs and a comparison with its major competitors. All amounts are presented in Canadian dollars unless otherwise noted. The following functional currencies of the Company's significant subsidiary reporting groups are referred to herein below:

Entity	Currency Symbol	Currency Description
NYX Gaming Group - Parent	CAD	Canadian dollar
NextGen Gaming Pty	AUD	Australian dollar
NYX Interactive AB	SEK	Swedish Krona
NYX Gibraltar	EUR	Euro
NextGen Gaming (USA)	USD	United States dollar
NYX USA	USD	United States dollar
Ongame	EUR	Euro
Cryptologic	EUR	Euro
Chartwell	EUR	Euro
Side City	CAD	Canadian dollar
OpenBet	GBP	British Pound Sterling
Betdigital	GBP	British Pound Sterling

Transactions and Balances

Foreign currency transactions are translated into the functional currency of the respective Group entity using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign Operations

On consolidation the results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities at each reporting date presented are translated at the closing rate at the reporting date;
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated at the spot rate at the date of the transaction;
- Income and expenses for each statement of comprehensive income (loss) are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized in other comprehensive income (loss) and recognized in the foreign currency translation reserve in other components of equity.

2.5 Revenue Recognition

The Company generates revenues from licensing and revenue sharing and providing maintenance and development services for its software and digital content. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when all the following criteria are met:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the cost to complete the transaction can be measured reliably.

The Company has certain contracts with multiple-element revenue arrangements that include license fees, training, installation, consulting, maintenance, product support services, and periodic upgrades.

Where such agreements exist, the amount of revenue allocated to each element is based upon the relative fair values of the various elements. The fair values of each element are determined based on current market price of each of the elements when sold separately. Revenue is only recognized when, in management's judgment, the significant risks and rewards of ownership have been transferred or when the obligations have been fulfilled.

In addition to the aforementioned general policies, the following are the specific revenue recognition policies for each major category of revenue:

Royalty and License Revenue

Royalty and license revenue consists of participation arrangements for the Company's platforms and gaming content, as well as licensing of software.

Participation Arrangement

In contracts that stipulate profit sharing arrangements, revenues are earned based on revenue splits established in the contracts and can vary depending on the contracts. Revenues are recognized when performance has been achieved and collectability is reasonably assured.

Software License

License fees, including fees from master license agreements, most of which are contingent upon licensee's customer usage, are calculated as a percentage of each licensee's level of activity. The percentage is established in the contracts and can vary depending on terms and conditions in the contracts. The Group only reports its revenues (as opposed to licensee's total revenues and deducting licensee's percentage as a cost). The license fees are recognized on an accrual basis as earned.

In some instances, license fees are recognized once all the relevant acceptance criteria have been met. Where license fees are for a specific term, or the Group is required to provide further functionality over a specific period, then the license fee is recognized rateable over the term to which it relates.

Where the Company has obligations to pay a third party under a revenue-share arrangement, consideration is given as to whether to show the revenue and costs gross or net. In making this assessment, the Group considers whether, in substance, it is acting as principal or as agent in the relationship. The assessment of whether the Group are acting as a principals include who has primary responsibility for providing the service, discretion to establish prices and credit risk relating to the end customer.

Professional Services Revenue

Professional services revenue consists of software development, installation and hardware sales, and maintenance revenue.

Software Development

Software development provides customers with enhanced and/or specific functionality in addition to the core licensed products. Where there are no material performance obligations outstanding, revenue is recognized based on the stage of completion and or when games are delivered and risks have passed to the customer. Where material performance obligations still exist, revenue is deferred until those obligations are satisfied. For software development that is contracted on a 'time and materials' basis and no material performance obligations still exist, revenue is recognized as the service is delivered. In the case of fixed price contracts, where the Company is able to make reliable estimates of the costs to complete and no material performance obligations still exist, revenue is recognized according to the percentage of completion as at each balance sheet date, calculated by reference to costs incurred and expected to be incurred. If costs to complete cannot be reliably estimated, revenue is deferred until such time as cost can be reasonably estimated.

Installation and Hardware

Revenue in respect of installation and hardware sales is recognized on installation and delivery.

Maintenance

Revenues associated with maintenance and other support services provided to the Company's customers over the term of the licensing arrangements are recognized on an accrual basis as earned.

Other Revenue

Other revenue consists primarily of social advertising revenue.

Social Advertising

Advertising revenue is generated by displaying ad products on the Company's online social websites. Marketers pay for ad products either directly or through their relationships with advertising agencies, based on the number of impressions delivered. The Company recognizes revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to users.

Deferred Revenue

When the selling price of a product includes an identifiable amount for subsequent servicing, that amount is deferred and recognized as revenue over the period during which the service is performed. Where material performance obligations exist, revenue is deferred until those obligations are satisfied. For software development that can be contracted on a 'time and materials' basis with no material performance obligations existing, revenue is recognized as the service is delivered. In the case of fixed price contracts, where the Company is able to make reliable estimates of the costs to complete and no material performance obligations still exist, revenue is recognized according to the percentage of completion as at each balance sheet date, calculated by reference to costs incurred and expected to be incurred. If costs to complete cannot be reliably estimated, revenue is deferred until such time as cost can be reasonably estimated.

2.6 Operating Segments

The Group's operating segment is organized around the market it serves and is reported in a manner consistent with the internal reporting provided to the Chief Executive Officer and Chief Operating Officer, the Company's chief operating decision makers. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Company. Currently, the Company has only one operating segment: Diversified Gaming Solutions. This determination was made based on the similar economic characteristics, nature of the class of customers and products and services, which in some cases have similar distribution. As the Company continues to grow and integrate recent acquisitions, management will continue to assess the need for disaggregation of operations into multiple segments. The Company's customer base consists of on- and off-line gaming operators, state-regulated lotteries, media and entertainment firms, and land-based casinos.

The Company's operating revenue is geographically based in the United Kingdom, Europe, Australasia, and the Americas. Within the Diversified Gaming Solutions segment the Company further evaluates revenue performance by revenue stream. The Company generates revenue through offering a suite of products and services comprised of recurring royalties and license fees, development fees, maintenance and support fees, professional service fees, and advertising fees, through its social casino business.

2.7 Financial Instruments

Financial Assets and Liabilities

Recognition, Initial Measurement, and Derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, canceled, or expires.

Classification and Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables; and
- Available for sale ("AFS") financial assets.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the consolidated balance sheet date, which are classified as non-current assets.

Financial instruments classified as loans and receivables are initially recorded at the fair value plus transaction costs at the time the transactions are executed. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment.

Available for Sale Financial Assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's AFS financial assets include an equity investment in a content studio. The investment is measured at cost on the basis that fair value cannot be measured reliably.

Impairment

At the end of each reporting period, financial assets are assessed for indication of impairment. If there is objective evidence that impairment exists, the loss is recognized in profit or loss. The impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Classification and Subsequent Measurement of Financial Liabilities

The Group’s financial liabilities include trade and other payables, derivative liability (conversion option with convertible loan), contingent consideration, and debt. Financial liabilities other than derivatives are initially measured at fair value net of transaction costs and subsequently measured at amortized cost using the effective interest rate method. Derivative financial instruments are accounted for at fair value through profit and loss at each reporting period. Derivative financial instruments are recorded at fair value using the Black-Scholes options pricing model, Monte Carlo Simulation model, or a binomial option pricing model.

2.8 Prepaid Expenses, Deposits, and Other Current Assets

Prepaid expenses and deposits consist of amounts paid in advance or deposits made for which the Company will receive goods or services within the next normal quarterly or annual cycle.

2.9 Intangible Assets and Goodwill

The Company has several types of intangible assets as outlined below. See Note 4, *Acquisitions*, and Note 9, *Other Intangible Assets*, for more information. The amortization method, useful life and residual values are assessed annually and the assets are tested for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Amortization expense is recorded on a straight-line basis beginning with the month the corresponding assets are available for use and over the estimated useful lives provided below:

Developed Software	5 years
Acquired Platforms, Customer Relationships, Game Catalogs, and Other	8 - 15 years

Upon retirement or disposal, the cost of the asset disposed of and the related accumulated amortization are removed from the accounts and any gain or loss is reflected in profit and loss. Expenditures for repairs and maintenance are expensed as incurred.

Developed Software

Developed software includes catalog games, patents and trademarks, platforms, applications and domains developed by the Company and not acquired. All developed software is amortized on a straight-line basis over an estimated useful life of five years. Research and development costs are expensed except in cases where development costs meet the criteria for intangible assets. Development costs that are directly attributable to a project's development phase are recognized as an intangible asset, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the software, and
- the software will generate probable future economic benefits.

These development costs are not amortized until the products or technologies are commercialized, at which time, they are amortized over the estimated life of the commercial production. "Assets in development" represent those costs capitalized in respect of products or technologies not yet commercialized.

Amounts capitalized for internally-developed software include the total cost of any external products or services and labor costs directly attributable to development. Management's judgment is involved in determining the appropriate internal costs to capitalize, as well as the technical feasibility of any given project. The useful life represents management's view of the expected period over which the Company will receive benefits from the asset based on historical experience with similar products, as well as anticipation of future events, which may impact their useful economic life, such as changes in technology.

Acquired Platforms, Customer Relationships, Game Catalogs, and Other

Amounts capitalized include the intangibles that were acquired through business combinations.

Acquired Platforms

Software platforms acquired in a business combination that qualify for separate recognition are recognized as intangible assets at their fair values and amortized over 15 years, the expected period over which the Company expects to receive benefits. The useful life represents management's view of the expected period over which the Company will receive benefits from the technology acquired. Factors considered include the Company's relationships with the customers using the platforms, planned entry into new jurisdictions and the expected usage of the assets by the Company in these new markets.

Customer Relationships

The customer relationship relates to a relationship with a customer that allows the Company to list its casino content on their poker platform. This relationship has been developed over many years and is expected to lead to recurring revenue streams, as well as new revenue opportunities arising from the Company's reputation. The economic life of the customer relationships was determined to be 15 years, and based on the fact that this type of relationship is different in the online environment versus the land-based casino environment. In the online environment, space limitations do not exist. Therefore, even if an under-performing game is moved from the most visible location online, it will continue to generate revenue and does not require termination of the relationship or contract. Alternatively, in a land-based casino, if a slot machine is moved from the floor it no longer generates revenue which is more likely to lead to termination of a customer relationship. These types of customer relationships are expected to lead to renewed or replacement of existing contracts, and thus have longer useful lives than that of a typical contract in the Company's industry. Lastly, given that costs associated with contract termination and changing platforms to a competitor are high and typically lengthy to execute, the Company has historically had low turnover of customers.

Game Catalogs

The game catalogs are made up of a diverse variety of games, ranging in age and popularity. The catalogs are unique due to the diverse nature of the products within the catalogs, making it difficult to assign a useful life. The useful life of 15 years represents management's view of the expected period over which the Company expects benefits from the acquired gaming content packaged as catalogs. The election of this useful life is supported by internal game titles still producing revenue at this age.

Other

Intangible assets recorded through the acquisition of OpenBet include intellectual property and trade names, which have been assigned useful lives of eleven and eight years, respectively.

Goodwill

Goodwill represents the excess fair value of consideration over the fair value of the identifiable net assets acquired in a business acquisition. After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is considered to have an indefinite useful life.

For purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units ("CGU" or groups of CGUs) that is expected to benefit from the synergies of the combination. Goodwill is reviewed for impairment at least annually or more frequently if circumstances such as significant declines in expected sales, earnings, or cash flows indicate that it is more likely than not that the asset might be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Refer to Note 8, *Goodwill*, for a description of impairment testing procedures.

2.10 Property, Plant, and Equipment

Property, plant, and equipment is recorded at cost less accumulated depreciation and impairment losses. Depreciation expense is recorded on a straight-line basis beginning with the month the corresponding assets are available for use and over the estimated useful lives provided below:

Computer equipment	5 years
Computer software	5 years
Furniture, fixtures and equipment	5 years

2.11 Impairment of Non-Current Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. Where an indication of impairment exists, the recoverable amount of the asset is estimated. The recoverable amount of intangible assets with indefinite useful lives or those that are not yet ready for use is estimated on the same date each year. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

The recoverable amount of an asset or a cash generating unit is the higher of value-in-use and fair value less cost of disposal. Assets that cannot be tested individually for the impairment test are grouped into the smallest group of assets that generate cash inflows through continued use that are largely independent of the cash inflows from other assets or groups of assets. For the impairment test of goodwill, goodwill has been allocated to the CGU to which it relates, so that the level at which the impairment is tested represents the lowest level at which management monitors goodwill for internal reporting purposes, in accordance with the operating segment. Goodwill acquired in a business combination is allocated to the CGU that is expected to benefit from synergies of the related business combination.

The Group's assets do not generate separate cash flows. If there is evidence that a corporate asset is impaired, the recoverable amount is determined for the CGU to which the corporate asset belongs. Impairments are recorded when the carrying amount of an asset is higher than its recoverable amount. Impairment charges are recognized in profit or loss.

Impairment losses recognized for a CGU (or group of CGUs) first reduce the carrying amount of any goodwill allocated to that CGU and then reduce the carrying amounts of the other assets of the CGU (or group of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or group of CGUs).

An impairment loss recognized for goodwill may not be reversed. On each reporting date, the Group assesses if there is an indication that impairment losses recognized in previous periods for assets other than goodwill have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized.

2.12 Taxation

Income tax expense represents the sum of current and deferred taxes. Current and deferred taxes are recognized in the consolidated income statement, except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current Tax

The tax currently payable is based on taxable income for the year. Taxable income differs from earnings as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax Assets and Liabilities

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting earnings.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.13 Share-Based Payments

Share-Based Payments

The Company provides equity-settled share-based remuneration plans for its eligible employees, officers, directors and certain consultants. None of the Group’s plans are cash-settled. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where optionees are rewarded using share-based payments, the fair value of optionees’ services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions). All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit in the share-based payment reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options or restricted stock units ("RSUs") expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options or RSUs expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognized in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period. Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital.

Warrants

The Company may issue warrants for services rendered. All goods and services received in exchange for the grant of any warrants are measured at their fair values. Where vendors are rewarded warrants, the fair value of the services are determined by the fair value of the services received. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions). All warrants are ultimately recognized as an expense in profit or loss with a corresponding credit in the share-based payment reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

2.14 Equity and Reserves

Share capital represents the fair value of the consideration received on issue of share capital and there is no par value. Preferred shares includes amounts received for issuance of preferred shares. Any directly attributable transaction cost associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. The foreign currency translation reserve comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities. Retained earnings (deficit) includes all current and prior period retained profits or losses. The share-based payment reserve represents the cumulative amount of the fair value of the options and warrants granted.

2.15 Restricted Cash

The carrying amounts of cash and cash equivalent items which are restricted as to withdrawal or usage are recorded as restricted cash in the consolidated balance sheet. Restrictions may include legally restricted deposits held as compensating balances against borrowing arrangements, contracts entered into with others, or entity statements of intention with regard to particular deposits; however, time deposits and short-term certificates of deposit are not generally included in legally restricted deposits. The Company's restricted cash at December 31, 2016 related to funds held for settlement of jackpot liabilities and cash held separately for operating lease agreements. Due to the uncertainty of timing of payment related to the jackpot liabilities, which could paid out at any time, management has determined that the restricted cash should be classified as current.

2.16 Derivatives

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

2.17 Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that can have a significant effect on the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period.

Estimates and judgments are significant when:

- The outcome is highly uncertain at the time the estimates are made; or
- Different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

The consolidated financial statements include estimates based on currently available information and management's judgment as to the outcome of future conditions and circumstances. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates.

Estimates and their underlying assumptions are reviewed on a regular basis and the effects of any changes are recognized immediately. Changes in the status of certain facts or circumstances could result in material changes to the estimates used in the preparation of the financial statements and actual results could differ from the estimates and assumptions.

The following areas require management's most critical estimates and judgments.

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will be seldom equal to the estimated results.

The judgments, estimates and assumptions applied in the consolidated financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual financial statements for the year ended December 31, 2015.

Investment Tax Credits

The Company participates in a federal tax incentive program designed to encourage Canadian businesses of all sizes and in all sectors to conduct research and development in Canada. The program is administered by the Canada Revenue Agency ("CRA"), which delivers investment tax incentives in a timely, consistent and predictable manner, while encouraging businesses to prepare their claims in compliance with Canada's tax laws and the CRA's policies and procedures. The Company records investment tax credits related to the capitalization of development costs within other intangible assets in the consolidated balance sheets. Collection can take up to several years to resolve depending on the CRA's review process and findings. Historically, the Company has not had to impair their investment tax credits because collection has been relatively certain. Management has assumed that all incentive tax credits recorded as of December 31, 2016 will be collected.

Capitalization of Development Costs

Naturally many technology companies invest heavily in research and development ("R&D") activities. This results in significant development costs and diversity in practice when it comes to capitalization. The capitalization rates vary between and even within subsectors because of different factors unique to the industry. Therefore, the capitalization requires significant management judgment, specifically with internally developed intangible assets, by requiring certain development costs to be capitalized when they meet the definition and recognition criteria for intangible assets. Development costs are capitalized only after technical and commercial feasibility of the asset for sale or use have been established. This means that the entity must intend and be able to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits. The Company's developed software includes catalog games, patents and trademarks, platforms, applications and domains developed by the Company and not acquired. The Company capitalizes development costs, which includes personnel, consultant and certain other costs, only after the developed software is ready for use and at a rate that varies by product and jurisdiction based on the Company's applicable policy. For instance, game content has development costs capitalized based on stage of completion as communicated by project managers and amortization begins once the game is finished and generating revenue. Alternatively, platforms are invoiced at a flat rate as determined by our Chief Technology Officer and amortization begins after the product is available for use by our customers and generating revenue. See Note 2, *Summary of Significant Accounting Policies*, for more information regarding the Company's policy.

Recognition of Deferred Taxes

The Company recognizes deferred taxes in accordance with IAS 12, *Income Taxes.* An amendment to IAS 12 goes into affect next year that clarifies certain areas of this guidance. Management does not plan to early adopt. Management makes assumptions in the recognition of deferred tax assets and liabilities, including in the areas of allowance against or premium on deferred tax balances, classification, timing, among other areas. Temporary differences arise when a company initially recognizes an asset or liability. Such differences have a tendency to arise in a business combination when the assets and liabilities are recorded at their fair values but the tax bases do not change. Temporary differences can also arise when an asset is acquired outside of a business combination, if the amount attributed to the asset for tax purposes is different from the financial statement carrying amount.

Revenue Recognition

Refer to Note 2.5 above for discussion of the Company's policies on revenue recognition. The amount of revenue recognized for development services is based on the stage of completion of the development services provided. Management communicates with project managers and the Chief Technology Officer to determine the applicable stage for revenue recognition. Management estimates the percentage of completion based on expected costs to complete certain projects and recognizes the corresponding revenue at the end of the reporting period.

The Company entered into an agreement with one of its largest customers, for which final contract terms and project plans are still not finalized, to build a new global platform. This contract includes multiple elements including licensing of source code and development services. The development services will be recognized based on the stage of completion as discussed previously. The licensing of the source code, and subsequent updates to the code, has been accounted for evenly over the agreement related to this component.

Debt Transactions

$10.0 Million Unsecured Convertible Debenture

On November 17, 2014, the Company issued $10.0 million unsecured convertible debenture to Amaya, which matured November 17, 2016 and required PIK interest at 6.0% per annum, payable at maturity. Both interest and principal were payable in common shares of the Company. On November 17, 2016, the Company entered into an agreement to extend the maturity date of the unconverted amount of the Amaya Debenture until April 17, 2018 with minimum monthly payments in cash of $1.0 million beginning May 17, 2017 ("New Amaya Debenture"). Prior to the original maturity date of November 17, 2016, Holders of an aggregate of $1.0 million principal amount converted the principal amount of their debentures, together with accrued interest, into ordinary shares of the Company. The debt instrument in the new agreement no longer included a convertible feature. Management determined, through a qualitative analysis of the modified terms, that the extension of debt was a modification due primarily to the non-substantial modification of the terms of the unsecured debenture. A modification is substantial if the present value of the cash flows under the new terms, including net fees paid or received, differs by 10% or more from the present value of the remaining cash flows of the existing liability. This was not the case as the fair value of the debt was unchanged and management's determination and conclusion resulted in the changes being accounted for as a modification. Management concluded that it would be difficult to consider the removal of the conversion option when assessing whether the characteristics or risk profile have changed substantially as this component is accounted for separately. See Note 15, *Borrowings*, for more information relating to the Company's debt terms.

Senior Secured Debentures

On July 31, 2015, as a result of the completion of the acquisition of Chartwell and CryptoLogic, the Company issued $70.0 million of senior secured notes that included ordinary share purchase warrants. On April 4, 2016, the Company entered into certain waivers, undertakings and consents with two debenture holders representing in excess of two-thirds majority of the outstanding debentures in order to amend the indenture dated July 16, 2015.

The exchange of debt was treated as an extinguishment of debt and the associated unamortized fees of $9.1 million and the principal value of the original debt of $6.3 million were treated as a loss on exchange of debt. Under IAS 39, *Financial Instruments: Recognition and Measurement*, an entity that accounts for an exchange of debt instruments or modification of terms as an extinguishment, shall recognize any costs or fees as part of the gain or loss on the extinguishment. Management determined, through a qualitative analysis of the modified terms, that the exchange of debt was an extinguishment due primarily to the substantial modification of the terms of the senior secured notes. This determination resulted in the extinguishment of the original liability and the recognition of a new financial liability. As such, the Company recognized an additional $8.5 million as a loss on exchange of debt. During the year ended December 31, 2016, the Company recognized a total of $23.9 million loss related to the exchange of the debt. See Note 15, *Borrowings*, for more information relating to the Company's debt terms.

Impairment of Goodwill and Long-Lived Assets

The determination of goodwill and other long-lived asset impairment requires significant estimates and assumptions to determine the recoverable amount of an asset and/or CGU, wherein the recoverable amount is the higher of fair value less costs of disposal and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the asset and/or CGU, discounted at an appropriate rate. The fair value less cost of disposal is the amount for which the CGU could be exchanged between knowledgeable willing parties in an arm’s length transaction.

To assess value in use, management undertakes an assessment of relevant market data relevant to the CGU, using a discounted future cash flow model with an assumption around growth; estimated future cash flows for five years and are based on our budget and strategic plans. The pre-tax discount rate is a key estimate in the discounted cash flow model and is based on a representative weighted average cost of capital.

The key assumptions utilized in the determination of future cash flows represent management’s best estimate of the range of economic conditions relating to the CGU, and are based on historical experience, economic trends and communications with other key stakeholders of the Group. These key assumptions include the revenue growth rate, profit margins as a percentage of revenues, and the inflation growth rate. Significant changes in the key assumptions utilized in the determination of future cash flows could result in an impairment charge or reversal of an impairment loss.

During the year ended December 31, 2016, it was determined that goodwill associated with the acquisitions of Sportech NYX Gaming ("SNG") and Chartwell Technology Inc. ("Chartwell") and CryptoLogic Limited, NYX ("Cryptologic") was impaired. Additionally, during the year ended December 31, 2016, the Company impaired $27.9 million of intangible assets, reducing the amount of other intangible assets, net to $338.0 million as of December 31, 2016.

The amount of the goodwill impairment related to the SNG acquisition recorded during the year ended December 31, 2016 was $19.4 million. As of December 31, 2016, $2.2 million of goodwill remains related to the SNG acquisition. A contributing factor to the impairment was the performance of the CGU and changes to timing of expectation of online gaming expansion in the United States. The value in use allocated to SNG was calculated by an extrapolation of expected cash flows over a five-year period using revenue growth rates of 28.0%, 25.0%, 20.0%, 15.0% and 15.0% for the years 2017 through 2021. Management made several judgments and estimates while performing the annual impairment test related to the goodwill recorded in relation to the SNG acquisition, including an exit multiple of 10.0 times EBITDA, which resulted in an enterprise value of $32.1 million. This reflects management's revised expectation of the Company's growth in the New Jersey online gaming market. The pre-tax discount rate used to calculate the recoverable amount as of December 31, 2016, was 9.4%.

During the year ended December 31, 2016, it was determined that goodwill associated with the acquisition of Cryptologic and Chartwell was impaired. The amount of the goodwill impairment related to the Cryptologic and Chartwell acquisition recorded during the year ended December 31, 2016 was $46.2 million. No goodwill remains for Cryptologic and Chartwell as of December 31, 2016. The amount of the impairment to other intangibles related to the customer relationships was recorded during the year ended December 31, 2016 at $16.6 million. As of December 31, 2016, $64.8 million of intangible assets related to customer relationships remain. In order to calculate the value in use associated with the Cryptologic and Chartwell acquisition, management used an extrapolation of expected cash flows over a five-year period using growth rates of 8.5%, 7.0%, 6.5%, 6.0% and 5.5% for the years 2017 through 2021, which reflects management's expectation of the Company's growth in the gaming content and overall online gaming market in Europe and Canada. These future cash flows have been discounted at a rate of 9.4%, which is the Company's long-term weighted average cost of capital. The discount rate reflects appropriate adjustments relating to market risk and specific risk for similar software companies. Management made several judgments and estimates while performing the annual impairment test related to the customer relationships recorded in relation to the Cryptologic and Chartwell acquisition, including an exit multiple of 10.0 times EBITDA. Additionally, management valued a customer contract using the same discount rate and a 2.0% growth rate, which when combined with the other test, resulted in a total enterprise value for the CGU of $105.0 million. Management's key assumptions include stable profit margins based on past experience in this market. Contributing factors to the impairment included the performance of the CGU, changes made by management to the plans for future operations, changes in assumptions and delays in migrating customers from the acquired CGS platform to the internally developed and more advanced Open Gaming System ("OGS") platform, and a revised estimate for the expected revenue stream.

During the year ended December 31, 2016, management determined that the acquired intangible allocated to the Company's developed software from the Side City acquisition was impaired. The amount of the impairment related to the developed software recorded during the year ended December 31, 2016 was $3.0 million. No intangible assets remain for Side City as of December 31, 2016. The value in use calculation was based on an extrapolation of expected cash flows over a five-year period using growth rates of 10.0%, 8.0%, 6.0%, 4.0% and 2.0% for the years 2017 through 2021. This reflects management's expectation of the growth in the gaming content market in Canada. These future cash flows have been discounted at a rate of 9.4%, which is the Company's long-term weighted average cost of capital and reflects appropriate adjustments relating to market risk and specific risk for similar software companies. Management made several judgments and estimates while performing the annual impairment test related to the developed software recorded in relation to the Side City acquisition, including an exit multiple of 10.0 times EBITDA to calculate the terminal value. A contributing factor to the impairment was the performance of the CGU.

The value in use of assets allocated to Game360 was calculated by an extrapolation of expected cash flows over a five-year period using revenue growth rates of 10.0%, 8.0%, 6.0%, 4.0% and 2.0% for the years 2017 through 2021. This reflects management's expectation of the Company's growth in the online gaming content and overall mobile and sports betting software solutions market in Italy. These future cash flows have been discounted at a rate of 9.4%, which is the Company's long-term weighted average cost of capital. The discount rate reflects appropriate adjustments relating to market risk and specific risk for similar software companies. Management's key assumptions include stable profit margins based on historical results and experience in this market. Management believes that this is the best available input for forecasting this market. The amount of the goodwill impairment related to the Game360 acquisition recorded during the year ended December 31, 2016 was $0.6 million. As of December 31, 2016, $0.8 million of goodwill remains related to the Game360 acquisition.

During the fourth quarter of 2015, it was determined that the intangible asset associated with the acquisition of eGaming Consulting ("EGC") and Ongame was impaired resulting in an impairment charge of $2.3 million and $0.9 million. At the time of the initial analysis, it was determined that the intellectual property acquired could be used in the Company's U.S. poker operations. Upon further evaluation from the Company's technology team, it was determined that the intellectual property would not be available for use in any other market other than the existing market. During the three months ended March 31, 2016, management made a further assessment of the future cash flows and determined an additional $6.5 million was impaired for EGC and $1.7 million for Ongame. All amortization and impairment charges are included in amortization and impairment of intangibles in the consolidated income statement. See Note 9, *Other Intangible Assets*, for more information.

Share-Based Compensation

Compensation expense for RSUs is calculated based on the fair market value of the Company's stock on the date of grant. For stock options, the Company estimates the expense using the Black-Scholes option pricing model for employees, officers, directors and certain consultants. For warrants, the Company uses the binomial option pricing model. The models take into account management's best estimate of the exercise price of the stock option/warrant, an estimate of the expected life of the option/warrant, the current price of the underlying stock, an estimate of the stock's volatility, an estimate of future dividends on the underlying stock, the risk-free rate of return expected for an instrument with a term equal to the expected life of the option/warrant, and the expected forfeiture rate of stock options/warrants granted. See Note 21, *Employee Remuneration*, for more information.

Fair Value Measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves development estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data when possible but when observable data is not available, management uses the best information available. Estimated fair values may vary from actual prices that would be achieved in an arm's length transaction at the reporting date. See Note 18, *Financial Assets and Liabilities*, for more information.

Convertible Preferred Shares

On July 31, 2015, as a result of the completion of the acquisition of Chartwell and CryptoLogic, the Company issued $40.0 million of exchangeable preferred shares ("Exchangeable Preferred Shares"). The Company estimated the value of the Exchangeable Preferred Shares based on a binomial option pricing model. The model takes into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, the current price of the underlying stock, an estimate of the stock's volatility, and the risk-free rate of return expected for an instrument with a term equal to the duration of the convertible debt. The Company determined that the Exchangeable Preferred Shares do not include a contractual obligation to deliver cash or another financial asset and the instrument will, or may be, settled in the Company's own ordinary shares. Therefore, the Company determined that the fair value of the Exchangeable Preferred Shares was appropriately classified as equity at the time of issuance. See Note 19, *Stockholders' Equity*, for more information.

On May 20, 2016, in connection with the acquisition of OpenBet OB Topco Limited ("OpenBet"), the Company issued a number of convertible preference shares ("Convertible Preference Shares") for an aggregate subscription price of £100.0 ($187.0) million. The Company estimated the value of the derivative instrument embedded in the OpenBet Convertible Preference Shares using the Monte Carlo Simulation model. The model takes into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, the current price of the underlying stock, an estimate of the stock's volatility, and the risk free rate of return expected for an instrument with a term equal to the duration of the convertible debt. The convertible preference share agreement contains contingent liquidity events whereby the subscription price may be payable by the Company on consummation of one of the events. The Company determined that the likelihood of the defined liquidity events occurring in the foreseeable future to be remote and therefore the valuation is considered to be nil in the financial statements. An assessment of the likelihood of the liquidity events occurring will be performed at each reporting date and the estimate may be revised in future periods should the likelihood become more than remote. The Company determined that the fair value of the Convertible Preference Shares was appropriately classified as debt at the time of issuance. See Note 16, *Convertible Preferred Shares*, for more information.

Estimated Useful Lives of Long-Lived Assets

Judgment is used to estimate each component of an asset’s useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset’s legal or contractual life without substantial cost and renewal history. If the estimated useful lives were incorrect, this could result in an increase or decrease in the annual depreciation and amortization expense, as well as the potential for future impairment charges.

Embedded Derivatives in Convertible Note

The Company estimated the value of the derivative instruments embedded in convertible debt using the binomial option pricing model and the Monte Carlo Simulation model. The models take into account the conversion price of the stock, management's best estimate of the expected time to conversion, the current price of the underlying stock, an estimate of the stock's volatility and the risk-free rate of return expected for an instrument with a term equal to the duration of the convertible debt. Due to the estimates and judgment used in the fair value techniques associated with this instrument, management has determined that it falls within Level 3 of the fair value hierarchy. See Note 16, *Convertible Preferred Shares*, and Note 17, *Derivative Financial Instruments*, for more information.

Business Combinations

Management uses valuation techniques when determining the fair values of certain assets acquired and liabilities assumed in a business combination. See Note 4, *Acquisitions*, for more information. In particular, the fair value of contingent consideration can be dependent on the outcome of many variables including the acquirees' future profitability. For business combinations achieved in stages management uses valuation techniques to remeasure its previously held interest in the acquiree at the acquisition date fair value and any gain or loss is recognized in the consolidated income statement.

Historical Negative Cash Flows from Operations

The Company has performed a detailed analysis of its cash flows, including cash flows from operations, income (losses) from operations, working capital, cash flow projections, and anticipated cash inflows and outflows. The Company has determined that funds from operations, as well as existing and future financial resources, should be sufficient to meet the Company's requirements for the foreseeable future. In April 2016, the Company announced its intent to sell EGC, and subsequently closed the operations of Ongame, collectively the Company's entire European poker business, which had a negative impact on cash generated from operations. Furthermore, OpenBet, a supplier of platform software and related services to operators in the gaming industry, which was acquired in May 2016, is expected to generate significant cash from operations per month and is expected to generate positive cash flows annually over the next three years.

The Company has historically had negative operating cash flows. During the fiscal year ended December 31, 2015, the Company had negative cash flow from operating activities in the amount of approximately $15.0 million. The Company's cash and cash equivalents balance, including restricted cash, at December 31, 2016 was approximately $42.4 million. For the year ended December 31, 2016, net cash used in operating activities was $3.4 million. Although the Company anticipates it will have positive cash flow provided by operating activities in future periods, it is possible the Company may have negative cash flow in any future period as the Company continues to progress its integration of acquired companies, business plans and its capacity of operations. Refer to Note 2, *Summary of Significant Accounting Policies*, for further discussion surrounding the Company's conclusion that there is no uncertainty over the Company's ability to continue as a going concern as of December 31, 2016.

Off-Balance Sheet Arrangements

As of December 31, 2016, the Company did not have off-balance sheet arrangements that have had, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

2.18 List of Subsidiaries

Name of Subsidiary	Country of Incorporation and Principal Place of Business	Principal Activity	Proportion of Ownership Interest Held by Group
A.L.I. Online	Canada	Inactive	100%
Betdigital Ltd.	England and Wales	Game development and licensing	100%
CryptoLogic (Asia Pacific) Pte. Ltd.	Singapore	Inactive	100%
Cryptologic Callco ULC	Canada	Internet gaming services	100%
CryptoLogic Exchange Corp.	Canada	Internet gaming services	100%
CryptoLogic Inc.	Canada	Internet gaming services	100%
CryptoLogic Ltd.	Guernsey	Develops and services gaming casino and back-office operations	100%
CryptoLogic Malta Holdings Ltd.	Malta	Internet gaming services	100%
CryptoLogic Malta Ltd.	Malta	Internet gaming services	100%
Davisville Game Studio Inc.	Canada	Inactive	100%
ECM N.V.	Curacao	Inactive	100%
EGC Holding Ltd.	Malta	Internet gaming services	100%
EGC Services Ltd.	Malta	Internet gaming services	100%
Electracade Ltd.	England and Wales	Game licensing	100%
Game360 S.R.L.	Italy	Internet gaming services	100%
Hillbeck Trading Ltd.	Cyprus	Inactive	100%
Les Studios Side City Inc.	Canada	Internet gaming services	100%

Name of Subsidiary	Country of Incorporation and Principal Place of Business	Principal Activity	Proportion of Ownership Interest Held by Group
NextGen Gaming (USA) LLC	United States	Management support services for the group	100%
NextGen Gaming Pty Ltd.	Australia	Game development and licensing	100%
NT Media Ltd.	England and Wales	Inactive	100%
NYX Digital Gaming (Alberta) Inc. (formerly Chartwell)	Canada	Internet gaming services	100%
NYX Digital Gaming (Alderney) Ltd.	Alderney	Internet gaming services	100%
NYX Digital Gaming (Betdigital Holdings) Ltd.	England and Wales	Holding company relating to acquisition of Betdigital Ltd.	100%
NYX Digital Gaming (Canada) ULC	Canada	Develops and services gaming casino and back-office operations	100%
NYX Digital Gaming (Gibraltar II) Ltd.	Gibraltar	Internet gaming services	100%
NYX Digital Gaming (Guernsey) Ltd.	Guernsey	Internet gaming services	100%
NYX Digital Gaming (International) Ltd.	Malta	Internet gaming services	100%
NYX Digital Gaming (Malta Holding) Ltd.	Malta	Internet gaming services	100%
NYX Digital Gaming (Malta) Ltd.	Malta	Internet gaming services	100%
NYX Digital Gaming (OB Holdings) Ltd.	England and Wales	Holding company relating to NYX acquisition of OpenBet group	100%
NYX Digital Gaming (OB SPV) Ltd.	England and Wales	Holding company relating to acquisition of OpenBet group	100%
NYX Digital Gaming (Services) Ltd.	Malta	Internet gaming services	100%
NYX Digital Gaming (USA) LLC	United States	Internet gaming services	100%
NYX Gaming (Gibraltar) Ltd.	Gibraltar	Licensing software to Gibraltar-based clients	100%
NYX Interactive (Malta) Ltd.	Malta	Licensing software to Malta-based clients	100%
NYX Interactive AB	Sweden	Develops and services gaming modules for bingo, casino, lottery, and back-office	100%
NYX Social Gaming, LLC	United States	Free to play social gaming content for online slots and poker	100%
OB Acquisition Ltd.	England and Wales	Legacy entity previously used as acquiring entity	100%
OB Financing Ltd.	England and Wales	Legacy entity previously used as acquiring entity, holds senior financing debt	100%
OB Midco Ltd.	England and Wales	Legacy entity previously used as acquiring entity, holds PIK loan notes	100%
OB Topco Ltd.	England and Wales	Legacy entity previously used as acquiring entity	100%
Ongame Markets AB	Sweden	Develops and services poker technology	100%

Name of Subsidiary	Country of Incorporation and Principal Place of Business	Principal Activity	Proportion of Ownership Interest Held by Group
Ongame Network Ltd.	Gibraltar	Licensing poker software to Gibraltar-based clients	100%
Ongame Services AB	Sweden	Develops and services poker technology	100%
Ongame Software AB	Sweden	Develops and services poker technology	100%
OpenBet Asia Pacific Pty. Ltd.	Australia	Professional services	100%
OpenBet Hellas S.A.	Greece	Professional services	100%
OpenBet Ltd.	England and Wales	Develops and licenses platform software	100%
OpenBet New Zealand Ltd.	New Zealand	Professional services	100%
OpenBet North America Corp.	Canada	Professional services	100%
OpenBet Retail Ltd.	England and Wales	Develops and licenses retail software	100%
OpenBet Singapore Pte. Ltd.	Singapore	Licenses sportsbook software	100%
OpenBet Technologies Ltd.	England and Wales	Licenses platform software to Canadian customers	100%
Wagerlogic (Ireland) Ltd.	Ireland	Internet gaming services	100%
WagerLogic (UK) Ltd.	United Kingdom	Internet gaming services	100%
WagerLogic Casino Software Ltd.	Malta	Internet gaming services	100%
WagerLogic Ltd.	Cyprus	Inactive	100%

3. Recent Accounting Pronouncements

New Accounting Pronouncements - Not Yet Effective

IFRS 16, Leases

IFRS 16, *Leases*, replaces IFRS 17 and introduces a “right of use model” and entails, for the lessee, that largely all leases shall be reported on the balance sheet. IFRS 16 introduces a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases with a term in excess of 12 months, excluding immaterial leases. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 is applicable to financial years starting on or after January 1, 2019 with early application permitted, provided that IFRS 15, *Revenues from Contracts with Customers*, is applied simultaneously. The Company is currently evaluating the impact of this standard and while management does not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognized in the Company's consolidated financial statements, management does not anticipate applying IFRS 16 prior to its effective date.

IFRS 9, Financial Instruments

The IASB issued IFRS 9, *Financial Instruments*, relating to the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (i.e., its business model) and the contractual cash flow characteristics of such financial assets. IFRS 9 also amends the impairment model by introducing a new expected credit losses model for calculating impairment on its financial assets and commitments to extend credit. The standard also introduces additional changes relating to financial liabilities. IFRS 9 also includes a new hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Extended disclosures about risk management activity for those applying hedge accounting will also be required under the new standard.

An entity shall apply IFRS 9 retrospectively, with some exemptions, for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of this standard and does not anticipate applying it prior to its effective date.

IFRS 15, Revenues from Contracts with Customers

IFRS 15, *Revenues from Contracts with Customers,* affects any entity using IFRS that either enters into contracts with customers, unless those contracts are within the scope of other standards such as insurance contracts, financial instruments or lease contracts. This IFRS will supersede the revenue recognition requirements in IAS 18 and most industry-specific guidance.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognition. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently evaluating the impact of this standard and does not anticipate applying it prior to its effective date.

IAS 7, Statement of Cash Flows

The amendments to IAS 7, *Statement of Cash Flows*, are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The Company does not anticipate applying it prior to its effective date and believes the application of the amendments will only result in additional disclosures provided by the Company.

IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses

IAS 12, *Recognition of Deferred Tax Assets for Unrealised Losses*, clarifies that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The Company is currently evaluating the impact of this standard and does not anticipate applying it prior to its effective date.

4. Acquisitions

4.1 OpenBet

On May 20, 2016, the Company and Vitruvian Partners LLP, closed the share purchase agreement for OpenBet pursuant to which the Company acquired 100% of the issued and outstanding shares of OpenBet, a supplier of platform software and related services to operators in the gaming industry. The total deal value was $515.2 (£270.0) million, which included repayment of OpenBet's $181.3 (£95.0) million existing third-party debt. The activities of OpenBet constitute a business, as defined by IFRS 3, *Business Combinations*, and consequently, the Company applied the principles of IFRS 3 in the accounting for the acquisition. The primary reasons for the acquisition of OpenBet was to combine the technology of the Company with the sportsbook platform, software and relationships of OpenBet, ultimately leading to a larger scale of operations and cost synergies. The goodwill recognized through the purchase price allocation relates to these expected synergies. The goodwill is not expected to be deductible for tax purposes.

A summary of the fair value of the purchase price for the acquired assets and liabilities assumed for the acquisition of OpenBet as of May 20, 2016 was as follows:

(in 000s)	**GBP£**	**CAD$**
Fair value of purchase price consideration transferred		
Amount settled in cash	167,649	319,909
Fair value of shares and warrants issued as consideration	18,036	34,416
Repayment of external debt	95,021	181,319
Total purchase price consideration	**280,706**	**535,644**

The final purchase price allocation to the following identifiable assets and liabilities for the acquisition of OpenBet was based on their estimated fair values as of May 20, 2016:

(in 000s)	**GBP£**	**CAD$**
Purchase price allocation		
Cash	8,657	16,519
Trade and other receivables	21,147	40,352
Other current assets	1,936	3,695
Non-current assets	3,282	6,263
Current liabilities	(18,596)	(35,486)
Non-current liabilities	(524)	(1,001)
Total net assets acquired	15,902	30,342
Purchase price consideration	280,706	535,644
Excess purchase price	264,804	505,302
Allocation of excess purchase price:		
Intangibles	123,300	235,282
Goodwill	163,154	311,332
Deferred tax liabilities	(21,650)	(41,312)
Total excess purchase price	**264,804**	**505,302**

Trade receivables were recorded at their fair value based on the gross contracted amount of the receivables and the contractual cash flows at the time of acquisition that were expected to be collected in full. A purchase price adjustment of $20.4 (£10.7) million related primarily to an equity adjustment provision in the purchase agreement that provided for a daily return calculation for the period from signing to transaction close was made subsequent to closing the acquisition. The repayment of external debt was included in the $491.2 million amount for acquisition, net of cash acquired, in the investing activities section in the consolidated statement of cash flow for the year ended December 31, 2016. Revenue and net income subsequent to the closing date of the acquisition included in the consolidated income statement for the year ended December 31, 2016 was $78.4 million and $62.3 million, respectively. The net income included a $52.6 million gain on fair value adjustment to the derivatives related to OpenBet's debt instrument during the year ended December 31, 2016.

Had the business combination been effected at January 1, 2016, the revenue and net loss of the Company from continuing operations would have been $219.2 million and $54.4 million, respectively. Management considers these pro forma numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods. In determining the pro forma revenue and net loss for the Company had OpenBet been acquired at the beginning of the current year, management has calculated depreciation and amortization on the basis of the fair values arising in the initial purchase accounting for the business combination rather than the carrying amounts recognized pre-acquisition. Transaction costs for the year ended December 31, 2016 were $15.6 million related to the acquisition of OpenBet and Betdigital (discussed below) and recorded in 'Acquisition and restructuring costs' on the consolidated income statement.

4.2 Betdigital

On May 27, 2016, NYX acquired Betdigital, a UK based supplier of gaming content and platforms. The results of operations of Betdigital were included in the Company's results subsequent to that date. The acquisition of Betdigital, a creator of content and systems for online, mobile, interactive TV and land-based gaming platforms, provided the Company with a game development platform and studio that caters to the UK retail and online markets. The maximum aggregate consideration payable inclusive of the upfront payment and earnout payment is £24.5 million. The purchase price consists of an upfront cash payment of £3.6 million, as well as an earnout to be paid over three years, which may be made in cash or shares at the Company's option. The upfront payment is being funded through a prepayment of revenue for services the Company is to provide under a long-term development agreement negotiated concurrently with the closing of the acquisition. The yearly earnout amount will be paid by NYX in three subsequent capped payments based on Betdigital achieving certain milestones in excess of its net profit. If any earnout payment is paid in shares, the shares will be issued at the closing price on the TSX-V immediately preceding the Company's formal election to pay the earnout in shares, subject to TSX-V approval. NYX's earnout payments are capped at (i) £5.0 million (in cash or shares) in year one; (ii) £7.0 million (in cash or shares) in year two; and (iii) £9.0 million (in cash or shares) in year three. The activities of Betdigital constitute a business, as defined by IFRS 3, *Business Combinations*, and consequently, the Company applied the principles of IFRS 3 in the accounting for the 100% acquisition of the issued and outstanding shares of Betdigital. The primary reason for the acquisition of Betdigital was to combine the technology of the Company with the game content and relationships of Betdigital, ultimately leading to a larger game studio and content catalog and cost synergies. The goodwill recognized through the purchase price allocation relates to these expected synergies. The goodwill is not expected to be deductible for tax purposes.

A summary of the fair value of the purchase price for the acquired assets and liabilities assumed for the acquisition of Betdigital as of May 27, 2016 was as follows:

(in 000s)	**GBP£**	**CAD$**
Fair value of purchase price consideration transferred		
Amount settled in cash	3,646	6,940
Contingent consideration	1,465	2,789
Total purchase price consideration	**5,111**	**9,729**

The final purchase price allocation to the following identifiable assets and liabilities for the acquisition of Betdigital was based on their estimated fair values as of May 27, 2016:

(in 000s)	**GBP£**	**CAD$**
Purchase price allocation		
Cash	422	803
Trade and other receivables	334	636
Other current assets	16	30
Non-current assets	17	32
Current liabilities	(190)	(362)
Non-current liabilities	(823)	(1,567)
Total net assets acquired	(224)	(428)
Purchase price consideration	5,111	9,729
Excess purchase price	5,335	10,157
Allocation of excess purchase price:		
Intangibles	4,435	8,442
Goodwill	900	1,715
Total excess purchase price	**5,335**	**10,157**

Trade receivables were recorded at their fair value based on the gross contracted amount of the receivables and the contractual cash flows at the time of acquisition that were expected to be collected in full. Revenue and net loss subsequent to the closing date of the acquisition included in the consolidated income statement for the year ended December 31, 2016 was $2.3 million and $2.7 million, respectively. Due to lack of IFRS-specific data prior to the acquisition, pro forma information is not being presented as there is no practicable method to calculate. Historical financial information obtained would have required significant estimates.

4.3 Side City Studios, Inc.

On November 20, 2015, the Company acquired Side City, a Montreal based development studio, for a total investment of 333,000 ordinary shares of the Company and a maximum performance-based cash payment of $4.0 million, conditional upon Side City meeting certain performance criteria for the 2016 and 2017 calendar years. The fair value of the total purchase consideration was estimated to be $4.4 million, comprised of $3.5 million of contingent consideration and $0.9 million of stock consideration. From the date of acquisition through December 31, 2015, both revenue and net loss included in the consolidated income statement was $0.1 million.

The $3.5 million contingent consideration initially recorded as part of the purchase price was based upon six and three times adjusted EBITDA for calendar years 2016 and 2017, respectively, but has subsequently been written down to $1.0 million at December 31, 2016. The amount was recorded based on the forecast of the business at the time of the acquisition and discounted to the present value from the expected payment dates in April 2016 and 2017. Transactional costs for the acquisition were minimal and expensed in the year ended December 31, 2015.

The final purchase price allocation to the identifiable assets and liabilities was based on estimated fair values as of November 20, 2015 as follows:

(in 000s)	**CAD$**
Purchase price allocation	
Cash	45
Trade and other receivables	487
Other current and non-current assets	178
Trade and other payables	(171)
Total net assets acquired	539
Purchase price consideration	4,417
Excess purchase price	3,878
Allocation of excess purchase price:	
Intangibles	3,878
Total excess purchase price	**3,878**

Trade receivables were recorded at fair value based on the gross contracted amount of the receivables and the contractual cash flows at the time of acquisitions that were expected to be collected in full.

4.4 eGaming Consulting ("EGC")

On August 7, 2015, the Company acquired EGC and entered into a long term global agreement to provide online poker and related casino games to certain customers. The activity of EGC and the long term global agreement constituted a business, as defined by IFRS 3, *Business Combinations*, and consequently, the Company applied the principles of IFRS 3 in the accounting for the acquisition. The total investment, which included a mobile platform, was $10.8 (€8.5) million cash, which included $4.9 (€3.4) million paid at closing and an additional $5.9 (€4.1) million due when the poker migration to the Company's poker network was complete. During the year ended December 31, 2015, revenue and net income included in the consolidated statement of income related to the operations of EGC was $0.6 million and $0.1 million, respectively. During the year ended December 31, 2016, the Company determined that it was remote that the contingent consideration related to the EGC acquisition was going to be earned. As a result, the Company wrote-off the associated liability and recorded a gain of $6.1 million. The Company also recorded an impairment of the acquired intangible assets associated with EGC of $6.5 million during the year ended December 31, 2016. See Note 9, *Other Intangible Assets*, for more information. On April 4, 2016, the Company announced its intent to sell EGC. As of December 31, 2016, the sale had not closed.

The final purchase price allocation to the following identifiable assets and liabilities was based on estimated fair values as of August 7, 2015:

(in 000s)	**CAD$**
Purchase price allocation	
Cash	80
Trade and other receivables	96
Other current and non-current assets	17
Trade and other payables	(51)
Total net assets acquired	142
Purchase price consideration	10,799
Excess purchase price	10,657
Allocation of excess purchase price:	
Intangibles	9,234
Goodwill	1,423
Total excess purchase price	**10,657**

Included within non-current assets in the table above was $3.2 million related to intangible assets identified during the business combination. Trade receivables were recorded at fair value based on the gross contracted amount of the receivables and the contractual cash flows at the time of acquisition that were expected to be collected in full.

4.5 CryptoLogic and Chartwell

On July 31, 2015, the Company closed the acquisition of Amaya (Alberta) Inc., formerly Chartwell and CryptoLogic, each of which was a wholly-owned subsidiary of Amaya Inc. (“Amaya”). Pursuant to the terms of the share purchase agreement, the Company acquired Chartwell and CryptoLogic for $146.9 million of total purchase consideration, comprised of $110 million of cash consideration and $36.9 million of convertible preferred shares at fair value. Chartwell and CryptoLogic own some of the world’s leading gaming content, which consisted of approximately 300 games, and has integrated onto its remote gaming server top game titles from several of the world’s leading game developers. They also operate a real-money gaming platform and service some of the world’s leading online casino providers. The activities of Chartwell and CryptoLogic constitute a business, as defined by IFRS 3, *Business Combinations*, and consequently, the Company applied the principles of IFRS 3 in the accounting for the 100% acquisition of the issued and outstanding shares of Chartwell and CryptoLogic. As of the date of acquisition, the fair value estimate of the conversion feature of the convertible preference shares was $3.1 million based on a binomial option pricing model.

The final purchase price allocation to the following identifiable assets and liabilities was based on estimated fair values as of July 31, 2015:

(in 000s)	**CAD$**
Purchase price allocation	
Cash	2,478
Trade and other receivables	5,229
Other current and non-current assets	9,412
Trade and other payables	(4,707)
Other current and non-current liabilities	(24,720)
Total net liabilities assumed	(12,308)
Purchase price consideration	146,860
Excess purchase price	159,168
Allocation of excess purchase price:	
Intangibles	113,010
Goodwill	46,158
Total excess purchase price	**159,168**

Included within non-current assets in the table above was $4.3 million related to intangible assets identified during the business combination. Trade receivables were recorded at fair value based on the gross contracted amount of the receivables and the contractual cash flows at the time of acquisitions that were expected to be collected in full. From the date of acquisition through December 31, 2015, revenue and net loss included in the consolidated income statement was $4.5 million and $2.2 million, respectively. Acquisition and restructuring charges related to transactional costs and one-time restructuring charges (including redundancy payments) for Cryptologic, Chartwell and EGC acquisitions were $7.8 million and were expensed during the year ended December 31, 2015.

4.6 Game360 Limited

On May 20, 2015, the Company completed the acquisition of Game360 Limited ("Game360"). Total consideration consisted of $1.4 million in cash consideration and an earnout payment based on Game360's EBITDA during January 2017 valued at $4.7 million at the time of acquisition. The amount payable was based upon six times adjusted EBITDA for calendar year 2015. The amount was recorded based on the forecast of the business at the time of the acquisition and discounted to the present value from the expected payment date in July 2016. The Company had the sole discretion to issue up to 50.0% of the earnout in the Company's ordinary shares. The Game360 earnout was settled in September 2016 with 50.0% paid in cash and 50.0% provided for in the Company's common share (2.5 million ordinary shares were issued during the three months ended September 30, 2015).

The activity of Game360 constituted a business, as defined by IFRS 3, *Business Combinations*, and consequently, the Company applied the principles of IFRS 3 in the accounting for the acquisition 100% of the issued and outstanding ownership of Game360. The transaction was immediately accretive to earnings per share, provided a local base and games development studio for the Company in the regulated Italian market, and delivered synergies to the Company's core business.

The final purchase price allocation to the following identifiable assets and liabilities was based on estimated fair values as of May 20, 2015:

(in 000s)	**CAD$**
Purchase price allocation	
Cash	115
Trade and other receivables	134
Other current and non-current assets	127
Trade and other payables	(53)
Other current and non-current liabilities	(1,446)
Total net liabilities assumed	(1,123)
Purchase price consideration	6,108
Excess purchase price	7,231
Allocation of excess purchase price:	
Intangibles	5,785
Goodwill	1,446
Total excess purchase price	**7,231**

Trade receivables were recorded at their fair value based on the gross contracted amount of the receivables and the contractual cash flows at the time of acquisition that were expected to be collected in full. From the date of acquisition through December 31, 2015, revenue and net income included in the consolidated income statement was $0.8 million and $1.0 million, respectively.

4.7 Sportech-NYX Gaming, LLC ("SNG")

On May 28, 2015, the Company acquired the remaining 50% interest in SNG from its joint venture partner Sportech Games Holdco, LLC. The activity of SNG constitutes a business, as defined by IFRS 3, *Business Combinations*, and consequently, the Company has applied the principles of IFRS 3 in the accounting for the acquisition of the remaining ownership of SNG. As per the requirements of IFRS 3, this was treated as a step acquisition and accounted for as a deemed disposal of the existing 50% ownership held. This transaction resulted in a non-cash gain of $17.4 million in the prior year. The acquisition allowed the Company to retain 100% of the economics within its existing land-based online gaming partners; provided the Company with full economics to the North American markets outside of the State of New Jersey for deferred consideration of up to $3.0 million; operational and administrative synergies by consolidating operations with the Company's existing activities in New Jersey; strengthened the Company's relationship with customers to pursue other opportunities within New Jersey; and was accretive at the time to the Company's earnings per share based on existing customer relationships within New Jersey. The total purchase consideration of $20.8 million was comprised of $10.0 million in cash consideration, $9.9 million of fair value at acquisition of common shares of the Company, and $0.9 million of contingent consideration. The contingent consideration was based upon new states passing online real-money casino gaming regulation and the Company launching a new customer in that new jurisdiction. The total amount payable was $1.0 million per new state and new customer for a maximum payout of $3.0 million. The amount recorded was based on the present value of the maximum payment adjusted by a probability factor of new states passing online real-money casino gaming regulation.

The final purchase price allocation to the following identifiable assets and liabilities was based on estimated fair values as of May 28, 2015:

(in 000s)	**CAD$**
Purchase price allocation	
Cash	492
Trade and other receivables	2,590
Other current and non-current assets	3,976
Trade and other payables	(655)
Other current and non-current liabilities	(4,504)
Total net assets acquired	1,899
Purchase price consideration	20,811
Excess purchase price	18,912
Allocation of excess purchase price:	
Intangibles	20,472
Goodwill	20,112
Less: fair value of equity investment in SNG	(21,672)
Total excess purchase price	**18,912**

Trade receivables were recorded at fair value based on the gross contracted amount of the receivables and the contractual cash flows at the time of acquisition that were expected to be collected in full. From the date of acquisition through December 31, 2015, revenue and net income included in the consolidated income statement was $1.3 million and $1.7 million, respectively. The fair value of the consideration given was based on the fair value of the 50% ownership interest offered adjusted for the present value of the contingent consideration. Acquisition and restructuring charges related to transactional costs and one-time restructuring charges (including redundancy payments) for SNG and Game360 were $1.7 million and were expensed during 2015.

5. Revenue and Geographical Breakdown

The Company operates within one segment - the marketing, production, and distribution of Diversified Gaming Solutions. The Company's operating revenue is geographically based in the United Kingdom, Europe, Australasia, and the Americas. Within the Diversified Gaming Solutions segment the Company further evaluates revenue performance by revenue stream. The Company's revenue from external customers attributed to countries based on location of the customers was as follows:

	Years Ended	
CAD$ (in 000s)	**December 31, 2016**	**December 31, 2015**
Revenue		
United Kingdom and Europe	133,371	39,776
Americas and Caribbean	22,733	12,081
Australasia	7,629	451
Total	**163,733**	**52,309**

The Company's revenue from continuing operations from its major products and services was as follows:

	Years Ended	
CAD$ (in 000s)	**December 31, 2016**	**December 31, 2015**
Revenue		
Royalty and license	90,723	44,178
Professional services	63,178	2,511
Social gaming	9,832	5,620
Total	**163,733**	**52,309**

Included in revenues arising from royalty and licensing and professional services provided for the year ended December 31, 2016, were revenues of approximately $17.1 million, which arose from sales and services to the Company's largest customer. No other single customer contributed 10% or more to the Company's revenue for both 2016 and 2015.

The Company's non-current assets based on location was as follows:

CAD$ (in 000s)	**December 31, 2016**	**December 31, 2015**
Non-current assets		
United Kingdom and Europe	609,119	206,257
Americas and Caribbean	35,332	48,645
Australasia	10,549	6,499
Total	**655,000**	**261,401**

Non-current assets for this purpose consist of property, plant and equipment, deferred tax assets, goodwill, other intangible assets, other investments and other non-current assets.

6. Acquisition and Restructuring Costs

	Years Ended	
CAD$ (in 000s)	**December 31, 2016**	**December 31, 2015**
Legal	5,028	3,055
Advisory	1,573	2,487
Regulatory	694	166
Redundancy	3,416	2,178
Acquisition related	9,013	1,953
Total	**19,724**	**9,839**

7. Trade and Other Receivables

The Company's trade and other receivables included the following:

CAD$ (in 000s)	**December 31, 2016**	**December 31, 2015**
Trade receivables, net	33,397	15,196
Accrued revenue	9,959	—
Other	6,753	1,844
Total	**50,109**	**17,040**

All amounts are short-term. No allowance for credit loss was recorded at December 31, 2016 and 2015. The net carrying value of trade receivables is considered a reasonable approximation of fair value. The Company has reviewed its trade and other receivables for indications of impairment as of December 31, 2016 and determined that no receivables were found to be impaired.

8. Goodwill

The following table shows the movement in goodwill:

CAD$ (in 000s)	December 31, 2016	December 31, 2015
Gross carrying amount		
Balance at the beginning of the year	81,587	9,646
Acquired through business combination	314,111	69,140
Net exchange differences	(39,840)	2,801
Balance at the end of the period	**355,858**	**81,587**
Accumulated impairment		
Balance at the beginning of the year	(1,498)	—
Impairment loss recognized	(66,115)	(1,498)
Net exchange differences	(2,606)	—
Balance at the end of the period	**(70,219)**	**(1,498)**
Carrying amount at the end of the period	**285,639**	**80,089**

Impairment Testing

Goodwill has been allocated for impairment testing purposes to the Company's CGUs. The CGUs with goodwill remaining as of December 31, 2015, the period prior to the impairment testing for 2016, include:

- SNG
- Cryptologic and Chartwell
- Game360
- NYX AB

For the purpose of annual impairment testing, goodwill is allocated to the operating CGU expected to benefit from the synergies of the business combinations in which the goodwill arises. During 2016, it was determined that goodwill associated with the acquisitions of SNG, Game360 and Cryptologic and Chartwell was impaired. The total amount of the goodwill impairment recorded during the year ended December 31, 2016 was $66.1 million. A contributing factor to the impairment was the performance of the reporting units and changes made by management to the plans for future operations.

The value in use of assets allocated to SNG was calculated by an extrapolation of expected cash flows over a five-year period using revenue growth rates of 28.0%, 25.0%, 20.0%, 15.0% and 15.0% for the years 2017 through 2021. This reflects management's revised expectation of the Company's growth in the New Jersey online gaming market. These future cash flows have been discounted at a rate of 9.4%, which is the Company’s long-term weighted average cost of capital. The discount rate reflects appropriate adjustments relating to market risk and specific risk for similar software companies. Management’s key assumptions include stable profit margins based on past experience in this market. Management believes that this is the best available input for forecasting this market. The amount of the goodwill impairment related to the SNG acquisition recorded during the year ended December 31, 2016 was $19.4 million. As of December 31, 2016, $2.2 million of goodwill remains related to the SNG acquisition.

The value in use of assets allocated to Cryptologic and Chartwell was calculated by an extrapolation of expected cash flows over a five-year period using revenue growth rates of 8.5%, 7.0%, 6.5%, 6.0% and 5.5% for the years 2017 through 2021. This reflects management's expectation of Cryptologic’s and Chartwell’s growth in the gaming content and overall online gaming market in Europe and Canada. A contributing factor to the impairment was the performance of the CGU and changes made by management to the plans for future operations, which included migrating customers from the acquired CGS platform to the internally developed and more advanced Open Gaming System (“OGS”) platform. Future cash flows have been discounted at a rate of 9.4%, which is the Company’s long-term weighted average cost of capital. The discount rate reflects appropriate adjustments relating to market risk and specific risk for similar software companies. Management’s key assumptions include stable profit margins based on historical results and experience in this market. Management believes that this is the best available input for forecasting this market.

The amount of the goodwill impairment related to the Cryptologic and Chartwell acquisition recorded during the year ended December 31, 2016 was $42.6 million. No goodwill remains for Cryptologic and Chartwell as of December 31, 2016.

The value in use of the assets allocated to Game360 was calculated by an extrapolation of expected cash flows over a five-year period using revenue growth rates of 10.0%, 8.0%, 6.0%, 4.0% and 2.0% for the years 2017 through 2021. This reflects management's expectation of the Company's growth in the online gaming content and overall mobile and sports betting software solutions market in Italy. These future cash flows have been discounted at a rate of 9.4%, which is the Company's long-term weighted average cost of capital. The discount rate reflects appropriate adjustments relating to market risk and specific risk for similar software companies. Management's key assumptions include stable profit margins based on historical results and experience in this market. Management believes that this is the best available input for forecasting this market. The amount of the goodwill impairment related to the Game360 acquisition recorded during the year ended December 31, 2016 was $0.6 million. As of December 31, 2016, $0.8 million of goodwill remains related to the Game360 acquisition.

In April 2016, the Company announced its intent to sell EGC which was acquired in August 2015, and subsequently closing the operations of Ongame, collectively the Company's entire European poker business. As of December 31, 2016, the Company had not closed the sale of EGC. As part of the agreement to sell EGC, the acquirer will assume all costs, customer contracts and development for the poker product. To assess the value in use, management assessed the cash flows based on the general terms of the agreement. It was determined that 100% of the goodwill associated with the acquisition of EGC was fully impaired and an impairment charge in the amount of $1.5 million was recorded during the year ended December 31, 2015. Because the European poker business was not considered a major line of business or geographical area of operations, management determined that the closure or potential sale of this division did not meet the qualifications for discontinued operations under IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Furthermore, the Company plans to retain the rights to continue to sell the poker product as a distributor for the new owners, including exclusive rights to be the sole distributor for poker in North America. No value has been assigned to these rights due to the uncertainty of future cash flows in the current North American market.

9. Other Intangible Assets

CAD$ (in 000s)	Game Catalogs	Customer Relationships	Acquired Platforms	Developed Software	Total
Gross carrying amount					
Balance at January 1, 2015	7,886	—	16,351	2,102	26,339
Additions, internally developed	2,070	—	4,493	2,736	9,299
Additions, through acquisitions	27,444	89,840	23,721	18,730	159,735
Transfers	(1,088)	—	1,088	—	—
Net exchange differences	102	—	4,238	213	4,553
Balance at December 31, 2015	36,414	89,840	49,891	23,781	199,926
Amortization and impairment					
Balance at January 1, 2015	(3,808)	—	(8,252)	(511)	(12,571)
Amortization	(2,223)	(2,496)	(3,990)	(951)	(9,660)
Disposals	—	—	—	107	107
Impairment	—	—	(923)	(2,266)	(3,189)
Net exchange differences	348	—	(76)	166	438
Balance at December 31, 2015	(5,683)	(2,496)	(13,241)	(3,455)	(24,875)
Carrying amount at December 31, 2015	**30,731**	**87,344**	**36,650**	**20,326**	**175,051**
Gross carrying amount					
Balance at January 1, 2016	36,414	89,840	49,891	23,781	199,926
Additions, internally developed	3,414	—	2,637	5,782	11,833
Additions, through acquisitions	—	—	228,993	7,361	236,354
Transfers	(3,878)	—	—	4,293	415
Disposals	—	—	(2,057)	47	(2,010)
Net exchange differences	(712)	—	(33,711)	(1,253)	(35,676)
Balance at December 31, 2016	35,238	89,840	245,753	40,011	410,842
Amortization and impairment					
Balance at January 1, 2016	(5,683)	(2,496)	(13,241)	(3,455)	(24,875)
Amortization	(3,189)	(5,989)	(16,239)	(4,028)	(29,445)
Transfers	4	—	87	(130)	(39)
Disposals	—	—	2,129	(232)	1,897
Impairment	(166)	(16,562)	(1,672)	(9,523)	(27,923)
Net exchange differences	—	—	6,174	1,390	7,564
Balance at December 31, 2016	(9,034)	(25,047)	(22,762)	(15,978)	(72,821)
Carrying amount at December 31, 2016	**26,204**	**64,793**	**222,991**	**24,033**	**338,021**

The Company has several types of intangible assets as outlined above. The amortization method, useful life and residual values are assessed annually and the assets are tested for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The developed software in the table above includes $7.3 million and $4.1 million in assets under development as of December 31, 2016 and 2015, respectively, for development costs that have been capitalized that the Company has not begun amortizing.

On May 20, 2016, the Company acquired all of the assets of OpenBet. Additionally, as part of the acquisition the Company acquired all of the intellectual property rights of the business. As part of the purchase price allocation, the Company assigned $229.0 million of the excess purchase price to OpenBet's platform. Built from the ground-up as a highly flexible and performance sportsbook, OpenBet's platform is able to cope with the very specific demands of today's sportsbooks and sportsbook customers. The OpenBet sportsbook platform can offer any type of sport (or non-sport) event and any type of betting market across both fixed-odds and pari-mutuel betting styles.

Impairment Testing

Annually, or whenever there is an indication that the asset may be impaired, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (of CGU) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

During the 2016 annual impairment test, management determined that several intangible assets were impaired. The acquired intangible allocated to the Company's customer relationships from the Cryptologic and Chartwell acquisition was tested using an extrapolation of expected cash flows over a five-year period using growth rates of 8.5%, 7.0%, 6.5%, 6.0% and 5.5% for the years 2017 through 2021. This reflects management's expectation of the growth in the gaming content and overall online gaming market in Europe and Canada. These future cash flows have been discounted at a rate of 9.4%, which is the Company’s long-term weighted average cost of capital. The discount rate reflects appropriate adjustments relating to market risk and specific risk for similar software companies. Management’s key assumptions include stable profit margins based on past experience in this market. Management believes that this is the best available input for forecasting this market. A contributing factor to the impairment was the performance of the CGU and changes made by management to the plans for future operations, which included migrating customers from the acquired CGS platform to the internally developed and more advanced OGS platform. The amount of the impairment related to the customer relationships recorded during the year ended December 31, 2016 was $16.6 million. As of December 31, 2016, $64.8 million of intangible assets related to customer relationships remain.

Additionally, during the 2016 annual impairment test, management determined that the acquired intangible allocated to the Company's developed software from the Side City acquisition was impaired. An extrapolation of expected cash flows over a five year period using growth rates of 10.0%, 8.0%, 6.0%, 4.0% and 2.0% for the years 2017 through 2021 were used. This reflects management's expectation of the growth of Side City’s business in the gaming content market in Canada, which was negatively impacted by the loss of a key customer. These future cash flows have been discounted at a rate of 9.4%, which is the Company’s long-term weighted average cost of capital. The discount rate reflects appropriate adjustments relating to market risk and specific risk for similar software companies. A contributing factor to the impairment was the performance of the CGU. The amount of the impairment related to the developed software recorded during the year ended December 31, 2016 was $3.0 million. No intangible assets remain for Side City as of December 31, 2016.

During the fourth quarter of 2015, it was determined that the intangible asset associated with the acquisition of EGC and Ongame was impaired resulting in an impairment charge of $2.3 million and $0.9 million. At the time of the initial analysis, it was determined that the intellectual property acquired could be used in the Company's U.S. poker operations. Upon further evaluation from the Company's technology team, it was determined that the intellectual property would not be available for use in any other market other than the existing market. During the three months ended March 31, 2016, management made a further assessment of the future cash flows and determined an additional $6.5 million was impaired for EGC and $1.7 million for Ongame. All amortization and impairment charges are included in amortization and impairment of intangibles in the consolidated income statement.

10. Property, Plant and Equipment

CAD$ (in 000s)	Computer Equipment	Software	Fixtures & Fittings	Furniture & Equipment	Total
Gross carrying amount					
Balance at January 1, 2015	1,356	84	473	138	2,051
Additions	768	32	193	17	1,010
Additions, through acquisitions	2,223	402	21	219	2,865
Transfers	—	—	—	—	—
Disposals	(2)	(114)	(297)	(5)	(418)
Net exchange differences	73	11	(23)	438	499
Balance at December 31, 2015	4,418	415	367	807	6,007
Depreciation and impairment					
Balance at January 1, 2015	(382)	(76)	(374)	(91)	(923)
Transfers	—	—	—	—	—
Disposals	2	84	297	—	383
Depreciation	(554)	(22)	(78)	(44)	(698)
Net exchange differences	(84)	(5)	6	(413)	(496)
Balance at December 31, 2015	(1,018)	(19)	(149)	(548)	(1,734)
Carrying amount at December 31, 2015	**3,400**	**396**	**218**	**259**	**4,273**
Gross carrying amount					
Balance at January 1, 2016	4,418	415	367	807	6,007
Additions	835	—	2,437	273	3,545
Additions, through acquisitions	4,016	—	1	22	4,039
Transfers	—	(415)	—	—	(415)
Disposals	(921)	—	(291)	(108)	(1,320)
Net exchange differences	(1,189)	—	(1)	(1)	(1,191)
Balance at December 31, 2016	7,159	—	2,513	993	10,665
Depreciation and impairment					
Balance at January 1, 2016	(1,018)	(19)	(149)	(548)	(1,734)
Transfers	—	39	—	—	39
Disposals	571	—	165	61	797
Depreciation	(1,894)	—	(167)	(71)	(2,132)
Net exchange differences	797	(20)	(2)	3	778
Balance at December 31, 2016	(1,544)	—	(153)	(555)	(2,252)
Carrying amount at December 31, 2016	**5,615**	**—**	**2,360**	**438**	**8,413**

11. Income Taxes

The major components of income tax expense in the consolidated income statement for the twelve months ended December 31, 2016 and 2015 included:

CAD$ (in 000s)	Years Ended December 31, 2016	December 31, 2015
Current income tax		
Current tax expense	1,340	201
Adjustments in respect of current income tax of previous year	—	—
Deferred tax		
Origination and reversal of temporary differences	(10,189)	(1,357)
Income tax expense	**(8,849)**	**(1,156)**

Reconciliation of income tax expense and the accounting profit multiplied by Guernsey's domestic tax rate for 2016 and 2015:

CAD$ (in 000s)	Rate	Years Ended December 31, 2016	Rate	December 31, 2015
Loss before taxes		(66,785)		(9,560)
Effect of tax rates in foreign jurisdictions	13.3%	(8,849)	12.1%	(1,156)
Tax credit	**13.3%**	**(8,849)**	**12.1%**	**(1,156)**

The tax rate used in the above reconciliation is the Company’s blended tax rate, which was derived from the jurisdictions which the Company was subject to taxes under the applicable local law.

Deferred Tax Assets and Liabilities

Significant components of the Company's deferred tax assets and liabilities, with respect to differences between the consolidated carrying values and the related tax basis of the assets and liabilities, were as follows:

CAD$ (in 000s)	December 31, 2016			December 31, 2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Fixed assets	1,993	—	1,993	—	—	—
Restructuring provisions	473	—	473	—	—	—
Intangible assets greater than tax values	—	(56,991)	(56,991)	—	(29,648)	(29,648)
Non-deductible accruals	—	—	—	—	—	—
Net deferred tax assets (liabilities)	**2,466**	**(56,991)**	**(54,525)**	**—**	**(29,648)**	**(29,648)**

The future use of these losses are subject to potential limitations in the jurisdictions in which they were incurred. The Company will confirm the ability to utilize the losses as they are needed in the future.

The total tax losses not utilized at December 31, 2016 and 2015 were $44.9 million and $23.8 million, respectively. No deferred tax asset was recognized in relation to these losses as management does not consider the recognition criteria of IAS 12, *Income Taxes*, to have been satisfied.

As of December 31, 2016, there was no deferred tax liability of taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. The Company has determined that there are no material income tax consequences attached to the repatriation of profits in either 2016 or 2017.

12. Trade Payables and Accrued Liabilities

CAD$ (in 000s)	December 31, 2016	December 31, 2015
Trade payables	19,531	28,524
Superannuation payable	—	47
Payroll taxes payable	3,133	884
Accrued expenses and other	16,574	911
Total	**39,238**	**30,366**

The carrying values approximate fair value.

13. Customer Deposits and Deferred Revenue

CAD$ (in 000s)	December 31, 2016	December 31, 2015
Customer deposits and deferred revenue	10,681	4,608
Customer prizes and jackpot liabilities	3,349	61
Total	**14,030**	**4,669**

14. Other Liabilities

CAD$ (in 000s)	December 31, 2016	December 31, 2015
Other current liabilities		
Contingent consideration	1,963	10,679
Vacation	1,898	2,161
Long service leave	342	365
Social	—	317
Other	1,207	1,343
Total	**5,410**	**14,865**
Other non-current liabilities		
Contingent consideration	2,014	4,367
Other	2,450	214
Total	**4,464**	**4,581**

15. Borrowings

CAD$ (in 000s)	December 31, 2016	December 31, 2015
Principal outstanding balances		
Senior secured debentures	83,152	59,818
Senior secured credit facilities	225,394	—
Convertible notes	14,729	9,589
Betdigital Loan	4,665	—
Total borrowings	327,940	69,407
Less: current portion of borrowings	(30,532)	(9,589)
Non-current portion of borrowings	**297,408**	**59,818**

Senior Secured Debentures

On July 31, 2015, as a result of the completion of the acquisition of Chartwell and CryptoLogic, NYX issued $70.0 million of senior secured notes ("Debentures"). Each debt unit consisted of one $1,000 10.0%, subject to an interest ratchet (see paragraph below), senior secured debenture and 70 ordinary share purchase warrants. The Debentures are senior secured obligations of NYX and have an interest rate of 10.0% per annum payable semi-annually in arrears on the last day of June and December each year, which commenced December 31, 2015.

On April 4, 2016, the Company entered into certain waivers, undertakings and consents with two debenture holders (the ‘‘Majority Holders’’) representing in excess of two-thirds majority of the outstanding 10.0% senior secured debentures due June 2020 of the Company (the ‘‘Initial Debentures’’) in order to amend the indenture dated July 16, 2015 (the ‘‘Debenture Indenture’’) by and among the Company, the guarantors named therein and Equity Financial Trust Company, in its capacity as trustee and collateral agent, pursuant to a first supplemental indenture (the ‘‘First Supplemental Indenture’’). The First Supplemental Indenture, among other matters, amends the terms of the Initial Debentures to become 10.0% Senior Secured Series A Debentures due December 31, 2019 and effective as of June 30, 2016 (the ‘‘Series A Debentures’’) and creates two new series of 10.0% Senior Secured Debentures due December 31, 2019 (the ‘‘Series B and Series C Debentures’’ and together with the Series A Debentures, the ‘‘2016 Debentures’’), which do not trade on the TSX-V or any other securities exchange. Holders of the Initial Debentures on June 29, 2016 (the ‘‘Record Date’’) also received, on June 30, 2016, incremental Series A Debentures equal to 10.0% of the aggregate principal amount of their Initial Debentures on the Record Date, rounded down to the nearest $1,000 and ordinary share purchase warrant coverage equal to 35.0% of the aggregate principal amount of their Initial Debentures on the Record Date to purchase ordinary shares. On June 30, 2016, each of the Majority Holders also converted all or some of their Series A Debentures into Series B Debentures or Series C Debentures, as applicable.

The exchange of debt was treated as an extinguishment of debt and the associated unamortized fees of $9.1 million and the principal value of the original debt of $6.3 million were treated as a loss on exchange of debt. Under IAS 39, *Financial Instruments: Recognition and Measurement*, an entity that accounts for an exchange of debt instruments or modification of terms as an extinguishment, shall recognize any costs or fees as part of the gain or loss on the extinguishment. As such, the Company recognized an additional $8.5 million as a loss on exchange of debt. During the year ended December 31, 2016, the Company recognized a total of $23.9 million loss related to the exchange of the debt.

The Majority Holders also agreed to subscribe for, in aggregate, $6.9 million of additional 2016 Debentures (the ‘‘Debenture Subscriptions’’), and on May 20, 2016 received warrants to purchase a number of ordinary shares reflecting warrant coverage of 96.0% of the aggregate principal value of their applicable Debenture Subscriptions (an aggregate of 1,879,405 warrants), at an initial exercise price of $3.50 per warrant share with a term of three years.

The Debentures shall be direct senior secured obligations of the Company and will be secured by a first priority lien (subject to permitted liens and to the extent and for the maximum amount permitted by applicable law) on all of the existing and after acquired personal property and real property of the Company and each of the guarantors including for an avoidance of doubt the equity interests of NYX Digital Gaming (OB Holdings) Limited ("Holdco") and excluding specific security documents and charges over equity interests of any other non-guarantor subsidiaries (the “Collateral”). The Company and the guarantors shall execute and deliver in favor of the collateral agent certain security documents and charges granting the collateral agent a first ranking security interest on the collateral, provided that the security documents and charges to be granted by Wagerlogic Casino Software Limited, NYX Digital Gaming (International) Limited, NYX Digital Gaming (Malta) Limited and NYX Interactive Malta Ltd. in connection with the First Supplemental Indenture will rank after any security previously granted by such entities (the "Previous Security") pursuant to the Original Indenture and in no way will it be substituting and/or novating the Previous Security.

The Debentures authorized to be issued hereunder consists of $83.2 million aggregate principal amount of Debentures, which shall be initially allocated as follows: $76.3 million aggregate principal amount of the Series A Debentures issued on the applicable effective date and shall be designated as 10.0% Senior Secured Series A Debentures due December 31, 2019, $5.0 million of the Series B Debentures issued on the applicable effective date and shall be designated as 10.0% Senior Secured Series B Debentures due December 31, 2019 and $1.9 million of the Series C Debentures issued on the applicable effective date and shall be designated as 10.0% Senior Secured Series C Debentures due December 31, 2019.

The Debentures may be redeemed in whole or in part at the option of the Company on not more than 60 days (and not less than 30 days) prior notice at a price equal to 107.0% of the principal amount plus accrued and unpaid interest on or after June 30, 2016 to June 30, 2018, 104.5% on or after June 30, 2018, and 100.0% at a price equal to the principal amount plus accrued and unpaid interest on or after June 30, 2019.

The interest payable on the Series A Debentures has a rate of 10.0%, subject to the interest ratchet, each computed on the basis of a 360-day year composed of twelve 30-day months. Commencing on December 31, 2016, the interest rate on the Debentures is subject to an interest ratchet based upon the value of the Company's cash and cash equivalents as at September 30 of any given year and the Company's gross secured leverage ratio, each as based on the Company's consolidated financial statements for the nine month period ended September 30 of any given year and the three month period ended December 31 of the immediately preceding year (the"Interest Ratchet"): if cash and cash equivalents are less than $20.0 million or the gross secured leverage ratio is greater than 4:1, the interest rate for the Debentures shall be adjusted to 11.0%; if cash and cash equivalents are greater than $30.0 million and the gross secured leverage ratio is less than 4:1, the interest rate for the Debentures shall be adjusted to 9.0%, and; in all other situations, the interest rate shall remain at the applicable interest rate.

Based on the Company's cash and cash equivalents balance of $42.4 million (including restricted cash) as of December 31, 2016, and gross secured leverage ratio at December 31, 2016, the interest rate for the Debentures was determined to be 11.0% as of December 31, 2016. The amendment to the Debenture was considered a material modification and considered an early extinguishment of debt. As a result, for the year ended December 31, 2016, the Company recognized a loss on the exchange in the amount of $23.9 million as discussed above.

Each warrant entitles the holder thereof to acquire one warrant share for an exercise price of $3.50 per warrant share for a period of three years following the closing date.

As part of the warrants granted, the expected life of the warrant had to be determined. The expected life is estimated using the contractual life of the warrant of three years. The volatility is estimated based on the trading history of NYX's stock since its initial public offering. It was determined that the original fair value of the each warrant was $0.92 and the fair value of the 7.0 million warrants was $6.5 million. The value of the warrants is shown separately as a derivative liability and adjusted to fair value at each period end. See Note 17, *Derivative Financial Instruments*. The carrying amount on the accompanying consolidated balance sheet as of December 31, 2016 and December 31, 2015 was as follows:

CAD$ (in 000s)	**Note**	**December 31, 2016**	**December 31, 2015**
Face value of series A debentures		76,300	70,000
Face value of series B debentures		5,000	—
Face value of series C debentures		1,852	—
Unamortized fees		—	(10,182)
Carrying value of debentures		83,152	59,818
Fair value of derivative liability	**17**	2,030	2,369

Senior Secured Credit Facilities

On May 20, 2016, the Company received £125.0 million senior secured credit facilities from a leading alternative credit provider, consisting of a £120.0 million term loan facility and a £5.0 million revolving credit facility. The term loan facility bears interest at an initial annual rate of LIBOR plus 725 basis points (LIBOR floor of 0.75%) and has a term of 5.5 years. The term loan facility is prepayable at 101% of the principal balance outstanding within the first three years and at par thereafter. On December 21, 2016, the Company amended its senior facilities agreement to increase the term facility commitment by £15.0 million at the same rate as the existing term debt. The Company plans to use the additional proceeds to fund additional working capital needs, various organic growth initiatives in its casino business, and the continued integration of the Company's operating businesses. The carrying amount on the accompanying consolidated balance sheet as of December 31, 2016 was as follows:

CAD$ (in 000s)	Note	December 31, 2016
Face value of term loan		229,060
Face value of incremental term loan		24,875
Face value of revolving line of credit		5,800
Unamortized fees		(4,463)
Payments		(9,824)
Net exchange differences		(20,055)
Carrying value of debentures		225,393
Fair value of derivative asset	**17**	16,254

Convertible Notes

$10.0 Million Unsecured Convertible Debenture

On November 17, 2014, the Company issued $10.0 million unsecured convertible debenture to Amaya ("Amaya Debenture"), which matured November 17, 2016 and required PIK interest at 6.0% per annum, payable at maturity. Both interest and principal were payable in common shares of the Company. On November 17, 2016, the Company entered into an agreement to extend the maturity date of the unconverted amount of the Amaya Debenture until April 17, 2018 with minimum monthly payments in cash of $1.0 million beginning May 17, 2017 ("New Amaya Debenture"). Prior to the original maturity date of November 17, 2016, Holders of an aggregate of $1.0 million principal amount of the Amaya Debenture converted the principal amount of their debentures, together with accrued interest, into ordinary shares of the Company at a conversion price equal to the closing market price on the TSX Venture Exchange as of November 17, 2016. The New Amaya Debenture does not have a convertible feature. See Note 17, *Derivative Financial Instruments*, for more information about the Amaya Debenture derivative.

Management determined, through a qualitative analysis of the modified terms, that the extension of debt was a modification due primarily to the non-substantial modification of the terms of the unsecured debenture. No gain or loss was recorded as a result of the modification. The carrying amount of the New Amaya Debenture and Amaya Debenture on the accompanying consolidated balance sheet as of December 31, 2016 and December 31, 2015, respectively, was as follows:

CAD$ (in 000s)	Note	December 31, 2016	December 31, 2015
Face value of unsecured convertible debenture		10,000	10,000
Conversion of debt into common shares		(1,000)	(200)
Accumulated interest		1,144	662
Discount on debenture		—	(873)
Carrying value of debenture		10,144	9,589
Fair value of derivative liability	**17**	—	1,217

$10.5 Million Unsecured Convertible Debenture

On June 22, 2016, NYX Gaming Group entered into a private placement offering for a $10.5 million unsecured convertible debenture and 2,863,636 ordinary share purchase warrants with a private investor, completed on June 22, 2016 (the ‘‘Private Investor Private Placement’’). The ordinary share purchase warrants have a three year term and a strike price of $3.50 per warrant share. The convertible debenture will bear interest at a rate of 10.0% annually, which interest may be payable in ordinary shares priced at $2.75 (the ‘‘PIK Shares’’), subject to a dilution cap and increased interest described below. The convertible debenture will mature on January 1, 2020. It may be converted into ordinary shares at a conversion rate of $2.75 per ordinary share with a maximum dilution of 4,200,000 ordinary shares (after taking into account the PIK Shares) (the "Dilution Cap"). After such Dilution Cap has been reached, the interest rate on the convertible debenture may be increased to a maximum of 14.4% such that the same number of PIK Shares shall be issuable at the then applicable market price at the increased interest rate as would have been issuable at $2.75 per ordinary share at the original interest rate. The proceeds of the Private Investor Private Placement was used to settle in part amounts owed by a subsidiary of the Company to another private investor, which related to a prior investment from December 2015. The Company estimated the value of the derivative instrument embedded in convertible debt using the binomial option model. The model takes into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, the current price of the underlying stock, an estimate of the stock's volatility, and the risk-free rate of return expected for an instrument with a term equal to the duration of the convertible debt. The carrying amount on the accompanying consolidated balance sheet as of December 31, 2016 was as follows:

CAD$ (in 000s)	**Note**	**December 31, 2016**
Face value of unsecured convertible debenture		10,500
Accumulated interest		525
Discount on debenture		(6,440)
Carrying value of debenture		4,585
Fair value of derivative liability	**17**	1,148

Betdigital

On May 27, 2016, the Company acquired Betdigital, a UK based supplier of gaming content and platforms. The acquisition of Betdigital, a creator of content and systems for online, mobile, interactive television and land-based gaming platforms provides NYX with a game development platform and studio that caters to the UK retail and online markets. The purchase was funded through a prepayment of revenue for services the Company is to provide under a long-term development agreement and a loan that will be repaid with the cash flows of the Company ("Betdigital Loan"). On each repayment date, the Company shall make a payment which shall be applied in an amount equal to the cash flow for that period, provided that, immediately following any such repayment, there will be an amount of cash on the consolidated balance sheet of the Company that is not less than the sum of £0.2 million, plus a net working capital adjustment. The carrying amount on the accompanying consolidated balance sheet as of December 31, 2016 was as follows:

CAD$ (in 000s)	**December 31, 2016**
Face value of loan	4,472
Accumulated interest	297
Discount on loan	(888)
Net exchange differences	784
Carrying value of loan	4,665
Less: current portion	(1,934)
Non-current portion	2,731

16. Convertible Preferred Shares

In connection with the OpenBet acquisition, Holdco issued a number of Convertible Preference Shares, as defined, for an aggregate subscription price of £100.0 ($187.0) million of Holdco, a wholly-owned subsidiary of the Company and the sole shareholder of the purchaser, with a par value of $1,000 per Convertible Preference Share to William Hill Steeplechase Limited (''William Hill'') and Cyan Blue Holdco 4 Limited (''SkyBet''). The Convertible Preference Shares are convertible into ordinary shares at an initial conversion price of $4.00 per ordinary share, resulting in an initial conversion ratio of 250 ordinary shares for each Convertible Preference Share (the ''Initial Conversion Ratio''). After the date of issuance, the conversion ratio (''Conversion Ratio'') increases by a ratchet of 6.0% per annum, compounded annually. The Convertible Preference Shares have certain conversion rights, preemptive rights and anti-dilutions protections.

The Company estimated the value of the derivative instrument embedded in the convertible preferred shares using the Monte Carlo Simulation model. The model takes into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, the current price of the underlying stock, an estimate of the stock's volatility, and the risk free rate of return expected for an instrument with a term equal to the duration of the convertible debt. The carrying amounts on the consolidated balance sheet at December 31, 2016 were as follows:

CAD$ (in 000s)	**Note**	**December 31, 2016**
Face value of convertible preferred shares, net of fees		180,455
Discount		(103,218)
Accumulated interest		6,644
Net exchange differences		(8,882)
Carrying value of debenture		74,999
Fair value of derivative liability	**17**	32,806

17. Derivative Financial Instruments

The Company's derivative financial instruments, measured at fair value, are summarized below:

CAD$ (in 000s)	December 31, 2016	December 31, 2015
Early repayment option of senior secured credit facilities	16,254	—
Derivative financial assets	**16,254**	**—**
Fair value at beginning of the period	—	—
Issuance of senior secured credit facilities	9,654	—
Fair value movement of senior secured credit facilities	6,956	—
Net exchange differences	(356)	—
Fair value at end of the period	**16,254**	**—**
Conversion option convertible preferred shares	32,806	—
Conversion option within convertible loan (Amaya Debenture)	—	1,217
Conversion option within convertible loan ($10.5 million face)	1,148	—
Warrants	2,030	2,369
.25 Warrants	2,171	—
Derivative financial liabilities	**38,155**	**3,586**
Fair value at beginning of the period	3,586	2,612
Issuance of convertible preferred shares	105,362	—
Issuance of warrants	10,545	7,595
Issuance of .25 warrants	13,685	—
Issuance of convertible loan	4,198	—
Fair value movement of convertible preferred shares	(59,597)	—
Fair value movement of convertible loans	(4,267)	(1,396)
Fair value movement of warrants	(10,884)	(5,226)
Fair value movement of .25 warrants	(11,515)	—
Net exchange differences	(12,958)	—
Fair value at end of the period	**38,155**	**3,586**

On November 17, 2016, the Company entered into an agreement to extend the maturity date of the unconverted amount of the Amaya Debenture until April 17, 2018 with minimum monthly payments in cash of $1.0 million beginning May 17, 2017. Prior to the original maturity date of November 17, 2016, Holders of an aggregate of $1.0 million principal amount of the Amaya Debenture converted the principal amount of their debentures, together with accrued interest, into ordinary shares of the Company. The New Amaya Debenture does not have a convertible feature.

In the prior year, the Company estimated the value of the derivative instrument embedded in the Amaya Debenture using the binomial option pricing model. The model takes into account the conversion price of the stock, management's best estimate of the expected time to conversion, the current price of the underlying stock, an estimate of the stock's volatility, and the risk-free rate of return expected for an instrument with a term equal to the duration of the convertible debt using the following weighted-average assumptions:

	December 31, 2015
Expected volatility	55.4%
Expected life	10.0 months
Expected forfeiture rate	—%
Risk-free interest rate	2.0%
Dividend yield	—%
Weighted average exercise price	C$3.20
Weighted average fair value of the Company's shares	C$2.72
Weighted average of remaining contractual life outstanding	10.0 months

The conversion option within the $10.5 million convertible loan was accounted for at fair value, as determined by a binomial option pricing model using the following weighted-average assumptions:

	December 31, 2016	June 22, 2016
Expected volatility	63.3%	64.9%
Expected life	3.0 years	3.5 years
Expected forfeiture rate	—%	—%
Risk-free interest rate	0.7%	1.1%
Dividend yield	—%	—%
Weighted average exercise price	C$2.75	C$2.75
Weighted average fair value of the Company's shares	C$1.26	C$2.46
Weighted average of remaining contractual life outstanding	3.0 years	3.5 years

The 4.9 million warrants related to the $70.0 million senior secured loan was accounted for at fair value, as determined by the Black-Scholes option pricing model using the following weighted-average assumptions:

	December 31, 2016	December 31, 2015
Expected volatility	63.3%	55.4%
Expected life	1.6 years	2.6 years
Expected forfeiture rate	—%	—%
Risk-free interest rate	0.7%	2.0%
Dividend yield	—%	—%
Weighted average exercise price	C$5.00	C$5.00
Weighted average fair value of the Company's shares	C$1.26	C$2.72
Weighted average of remaining contractual life outstanding	1.6 years	2.6 years

The 11.7 million warrants related to the exchange of the $70.0 million senior secured notes, the issuance of $6.9 million senior secured debentures, and the $10.5 million convertible notes were accounted for at fair value, as determined by the Black-Scholes option pricing model using the following weighted-average assumptions:

	December 31, 2016	June 22, 2016	May 20, 2016
Expected volatility	63.3%	64.9%	64.9%
Expected life	2.5 years	3.0 years	3.0 years
Expected forfeiture rate	—%	—%	—%
Risk-free interest rate	0.7%	0.7%	0.7%
Dividend yield	—%	—%	—%
Weighted average exercise price	C$3.50	C$3.50	C$3.50
Weighted average fair value of the Company's shares	C$1.26	C$2.46	C$2.59
Weighted average of remaining contractual life outstanding	2.5 years	3.0 years	3.0 years

The 13.6 million warrants issued as a result of the $150.0 million equity issuance, were accounted for at fair value, as determined by the Black-Scholes option pricing model using the following weighted-average assumptions:

	December 31, 2016	May 20, 2016	April 4, 2016
Expected volatility	63.3%	64.9%	64.9%
Expected life	2.5 years	3.0 years	3.0 years
Expected forfeiture rate	—%	—%	—%
Risk-free interest rate	0.7%	0.7%	0.7%
Dividend yield	—%	—%	—%
Weighted average exercise price	C$3.50	C$3.50	C$3.50
Weighted average fair value of the Company's shares	C$1.26	C$2.59	C$2.75
Weighted average of remaining contractual life outstanding	2.5 years	3.0 years	3.0 years

In connection with the OpenBet acquisition, the Company issued a number of Convertible Preference Shares, as defined, for an aggregate subscription price of £100.0 ($187.0) million. The Company estimated the value of the derivative instrument embedded in convertible preferred shares using a Monte Carlo Simulation model. The model takes into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, the current price of the underlying stock, an estimate of the stock's volatility, and the risk free rate of return expected for an instrument with a term equal to the duration of the convertible debt. Additionally, the Company identified a derivative asset related to the early repayment option of the Convertible Preference Shares.

The inputs to determine fair value at inception and on December 31, 2016, as determined by the Monte Carlo Simulation model, were as follows:

	December 31, 2016	May 20, 2016
Expected volatility NYX ordinary shares	63.3%	64.9%
Expected volatility GPB/CAD foreign exchange rate	12.0%	12.0%
Expected life	4.7 years	4.9 years
Risk-free interest rate	0.7%	0.7%
Weighted average exercise price	C$4.00	C$4.00
Weighted average fair value of the Company's shares	C$1.92	C$2.59
Weighted average of remaining contractual life outstanding	9.7 years	9.9 years

18. Financial Assets and Liabilities

Note 2, *Summary of Significant Accounting Policies*, provides a description of each category of financial assets and financial liabilities and the Company's related accounting policies. The carrying amounts of financial assets and financial liabilities in each category were as follows:

CAD$ (in 000s)	FVTPL Derivatives (FV)	Cash and Other Assets	Total
Financial Assets			
December 31, 2016			
Other investments	—	179	179
Derivative financial instruments	16,254	—	16,254
Trade and other receivables	—	50,109	50,109
Cash and cash equivalents	—	37,918	37,918
Restricted cash	—	4,462	4,462
Total	**16,254**	**92,668**	**108,922**
December 31, 2015			
Other investments	—	179	179
Trade and other receivables	—	17,040	17,040
Cash and cash equivalents	—	5,082	5,082
Restricted cash	—	4,628	4,628
Total	**—**	**26,929**	**26,929**

CAD$ (in 000s)	FVTPL Derivatives (FV)	Other Liabilities (Amortized Cost)	Total
Financial Liabilities			
December 31, 2016			
Non-current borrowings	—	297,408	297,408
Current borrowings	—	30,532	30,532
Convertible preferred shares	—	74,999	74,999
Derivative financial instruments	38,155	—	38,155
Contingent consideration	—	3,977	3,977
Trade and other payables	—	39,238	39,238
Total	**38,155**	**446,154**	**484,309**
December 31, 2015			
Non-current borrowings	—	59,818	59,818
Current borrowings	—	9,589	9,589
Derivative financial instruments	3,586	—	3,586
Contingent consideration	—	15,047	15,047
Trade and other payables	—	30,366	30,366
Total	**3,586**	**114,820**	**118,406**

Other Investments

Other investments represent an 8.2% equity interest in an unlisted company that supplies gaming content to the Company. The fair value of the investment cannot be estimated reliably due to the inherent uncertainty regarding the future trading of the business resulting from a lack of reliable data. For this reason, the investment is carried at cost less any impairment charges. There have been no impairment charges related to this investment as of December 31, 2016.

Determination of Fair Value

Financial assets and financial liabilities recorded at fair value in the consolidated balance sheet are grouped into three levels of a fair value hierarchy. The three levels are described in more detail in Note 2, *Summary of Significant Accounting Policies*.

The financial assets were all Level 1, with the exception of the $16.3 million derivative financial asset related to the early repayment option of the convertible preferred shares described in Note 17, *Derivative Financial Instruments*, which is Level 2. The classification of the Company's financial liabilities carried at fair value are set out below:

CAD$ (in 000s)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Liabilities				
December 31, 2016				
Senior secured debentures	83,152	—	—	83,152
Senior secured credit facilities	—	225,394	—	225,394
Betdigital Loan	—	4,665	—	4,665
Convertible preferred shares	—	74,999	—	74,999
Convertible notes	—	14,729	—	14,729
Contingent consideration	—	—	3,977	3,977
Derivative financial instruments	—	—	38,155	38,155
Net fair value	**83,152**	**319,787**	**42,132**	**445,071**
December 31, 2015				
Senior secured debentures	65,800	—	—	65,800
Convertible notes	—	9,589	—	9,589
Contingent consideration	—	—	15,047	15,047
Derivative financial instruments	—	3,586	—	3,586
Net fair value	**65,800**	**13,175**	**15,047**	**94,022**

The carrying amounts of all current debt obligations approximate their fair value since the interest rates on these instruments either approximate the current market rates offered to the Company or the interest rates for these instruments change with market interest rates. On initial recognition, the fair value of long-term debt was established based on current interest rates.

The Company determined the derivative instrument embedded in the convertible preferred shares qualified for Level 3 of the fair value hierarchy. Management estimated the value using the Monte Carlo Simulation model. The significant unobservable inputs used in this fair value model included management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, an estimate of the stock's volatility. Other inputs included the current price of the underlying stock and the risk free rate of return expected for an instrument with a term equal to the duration of the convertible debt. The carrying amount recorded at May 20, 2016 was $103.2 million. The carrying amount recorded on the consolidated balance sheet at December 31, 2016 was $32.8 million. The movement between May 20, 2016 and December 31, 2016 included a gain on fair value adjustment of $59.6 million recorded on the consolidated income statement for the year ended December 31, 2016, and foreign exchange movements of $10.8 million.

The gain on adjustment of the fair value derivative was primarily a result of the decline in the Company's underlying share price. The Company determined that the fair value of the Convertible Preference Shares was appropriately classified as debt at the time of issuance. See Note 16, *Convertible Preferred Shares*, for more information.

The Company's derivative financial instruments are measured at fair value and are detailed in Note 17, *Derivative Financial Instruments*. The *Company's* borrowings are detailed in Note 15, *Borrowings*.

The carrying amounts of contingent consideration were based on the present value of the underlying events established at the time the obligation was recognized. The consideration is contingent on certain events occurring at some point in the future and judgment is used to determine the likely outcome of those events materializing. At each valuation date, the unobservable inputs used to determine the fair value was evaluated and a gain or loss was recognized in the period in which the inputs were evaluated. Below is a breakdown of contingent consideration and a discussion regarding the inputs used to value the contingent consideration.

CAD$ (in 000s)	Original Value	Settlements	Gain on Revalue	Foreign Exchange	December 31, 2016
Current contingent consideration					
Betdigital [(1)]	1,626	(392)	—	729	1,963
EGC [(2)]	5,939	—	(6,077)	138	—
Game360 [(3)]	4,740	(4,972)	—	232	—
Total current contingent consideration	12,305	(5,364)	(6,077)	1,099	1,963
Non-current contingent consideration					
Betdigital [(1)]	1,163	—	—	(149)	1,014
Side City [(4)]	3,478	—	(2,478)	—	1,000
SNG [(5)]	889	—	(889)	—	—
Total non-current contingent consideration	5,530	—	(3,367)	(149)	2,014
Total contingent consideration	**17,835**	**(5,364)**	**(9,444)**	**950**	**3,977**

1) The amount payable was based upon 2.50, 1.75 and 1.00 times over an annual hurdle rate of adjusted EBIT for calendar years 2016 through 2018. The amount was recorded based on a three year forecast of the business and discounted to the present value using a discount rate of approximately 12%. The forecast was based on prior financial results and current projects in the pipeline to derive annual cash flows per year.

2) On April 4, 2016, the Company announced its intent to sell substantially all of its European poker business known as EGC, a division within the business known as Ongame. The Company determined that it was remote that the contingent consideration related to the EGC acquisition was going to be earned. As a result, the Company wrote-off the associated liability and recorded a gain of $6.1 million during the three months ended March 31, 2016.

3) The amount payable was based upon six times adjusted EBITDA for calendar year 2015. The amount was recorded based on the forecast of the business at the time of the acquisition and discounted to the present value from the expected payment date in July 2016. The Company had the sole discretion to issue up to 50.0% of the earnout in the Company's ordinary shares. The Game360 earnout was settled partially in shares of the Company in September 2016 (2.5 million ordinary shares were issued during the three months ended September 30, 2015), and the remaining $1.5 million in cash during January 2017.

4) The amount payable was based upon six times and three times adjusted EBITDA for calendar years 2016 and 2017. The earnout had minimum and maximum payments of $1.0 and $4.0 million over the two years. The amount was recorded based on a two year forecast of the business at the time of the acquisition and discounted to the present value using a discount rate of approximately 15.0%. The forecast was based on prior financial results and current projects in the pipeline to derive annual cash flows over the earnout period.

5) The amount payable was based on other states within the United States passing real-money online casino legislation within three years of the closing date of the transaction in May 2015. The Company was required to pay $1.0 million per each new jurisdiction opening and launching the first real-money customer in that state. The maximum payment was $3.0 million in aggregate and $1.0 million per each new jurisdiction. The amount that was recognized was based on the probability of three new jurisdictions opening and the present value of the $1.0 million payment for each new jurisdiction. The probability factors applied was 1.00, 0.50, and 0.25 for each of the $1.0 million dollar payments, respectively, and discounted using a discount rate of 15.0%.

CAD$ (in 000s)	Original Value	Settlements	(Gain) Loss on Revalue	Foreign Exchange	December 31, 2015
Current contingent consideration					
EGC (1)	5,939	—	—	—	5,939
Game360 (2)	4,740	—	—	—	4,740
Total current contingent consideration	10,679	—	—	—	10,679
Non-current contingent consideration					
Side City (3)	3,478	—	—	—	3,478
SNG (4)	889	—	—	—	889
Total non-current contingent consideration	4,367	—	—	—	4,367
Total contingent consideration	**15,046**	**—**	**—**	**—**	**15,046**

1) The amount payable is due when the poker migration to the NYX Poker network is complete to the Company's satisfaction. Based on the announced poker sale this amount is unlikely to be paid.

2) The amount payable is based upon six times adjusted EBITDA for calendar year 2015. The amount was recorded based on the forecast of the business at the time of the acquisition and discounted to the present value, at the time of the acquisition, from the expected pay date in July 2016. The amount is payable in NYX shares or cash or a combination of both. NYX has the sole discretion to issue up to 50% of the earnout in NYX ordinary shares.

3) The amount payable is based upon six and three times adjusted EBITDA for calendar years 2016 and 2017. The earnout has minimum and maximum payment of $1.0 and $4.0 million over the two years. The amount was recorded based on the forecast of the business at the time of the acquisition and discounted to the present value, at the time of the acquisition, from the expected pay dates in April 2016 and 2017.

4) The amount payable is based upon six times adjusted EBITDA for calendar year 2015. The amount was recorded based on the forecast of the business at the time of the acquisition and discounted to the present value, at the time of the acquisition, from the expected pay date in July 2016. The amount is payable in NYX shares or cash or a combination of both. NYX has the sole discretion to issue up to 50% of the earnout in NYX ordinary shares.

During the year ended December 31, 2016, the Company determined that it was remote that the contingent consideration related to the EGC acquisition was going to be earned. As a result, the Company wrote-off the associated liability and recorded a gain of $6.1 million. The Company also recorded an impairment of the acquired intangible assets associated with EGC of $6.5 million during the year ended December 31, 2016. See Note 9, *Other Intangible Assets*, for more information.

During the year ended December 31, 2016, the Company determined that the amount of contingent consideration related to the Side City acquisition was not recorded at its fair value due to results that were projected to come in below the adjusted EBITDA targets. The Company determined that the fair value of the contingent consideration related to the Side City acquisition was $1.0 million at December 31, 2016 and recorded a gain on revaluing the contingent consideration of $2.5 million during the year ended December 31, 2016.

During the year ended December 31, 2016, the Company determined that the amount of contingent consideration related to the SNG acquisition was not recorded at its fair value due to recent developments in the U.S. online gaming market and required evaluation. The amount payable was based on other states within the United States passing real-money online casino legislation within three years of the closing date of the transaction in May 2015. Based on the current state of the U.S. real-money online casino industry and the timing and likelihood of legislation passing before May 2018, the Company determined that it was remote that the contingent consideration related to the SNG acquisition was going to be earned. This resulted in the Company recording a gain on the revaluing of contingent consideration of $0.9 million during the year ended December 31, 2016.

The Company recorded the gains on revaluing the contingent consideration discussed above in other income in the consolidated income statement. There were no transfers into or out of Level 1, 2 or 3 during the years ending December 31, 2016 and 2015.

19. Stockholders' Equity

Share Capital

The authorized share capital of the Group consists of 108.2 million and 50.6 million ordinary shares as of December 31, 2016 and December 31, 2015, respectively. Share-based payments in the share-based payments reserve was $1.8 million and $0.3 million for the years ended December 31, 2016 and December 31, 2015, respectively. Amounts related to the exercise of employee options that were reclassified from the reserve to share capital were:

(in 000s)	Years Ended December 31, 2016	Years Ended December 31, 2015
Shares issued and fully paid		
Balance, beginning of the year	50,635	33,800
Shares issued - stock options	1,020	802
Shares issued - ordinary shares	56,573	16,033
Balance, end of the year	**108,228**	**50,635**
Share capital, CAD$		
Balance, beginning of the year	134,020	64,989
Shares issued - ordinary shares	140,633	71,143
Shares issued - stock options	1,297	1,192
Cost of issuance of ordinary shares	(6,554)	(3,304)
Balance, end of the year	**269,396**	**134,020**
Reserve for share-based payments, CAD$		
Balance, beginning of the year	1,821	1,887
Employee stock options	1,759	276
Expiration of warrants	(1,267)	—
Exercise of stock options	(308)	(342)
Balance, end of the year	**2,005**	**1,821**

$40.0 Million Convertible Preferred Shares

On July 31, 2015, as a result of the completion of the acquisition of Chartwell and CryptoLogic, NYX issued $40.0 million of Exchangeable Preferred Shares. The Exchangeable Preferred Shares, as defined, will (i) rank in priority to all outstanding common shares and any other preferred shares of NYX; (ii) be redeemable for cash at any time at the discretion of NYX, at a price equal to the Initial Liquidation Preference, as defined, ($5.00 per share or 8.0 million shares) multiplied by an adjustment factor calculated by dividing the then current Exchange Ratio, as defined, by the Initial Exchange Ratio, as defined; (iii) be issuable in denominations of $1,000 per Exchangeable Preferred Share and have an aggregate initial liquidation preference of $40.0 million; (iv) not be entitled to receive any dividends; (v) not be transferable or assignable, except to an affiliate of Amaya; and (vi) be retractable in consideration for ordinary shares, as defined, of NYX at any time after 12 months from their date of issue, in whole or in part, upon 35 days advance written notice from Amaya to NYX, at the then applicable exchange ratio, which initially will be 8.0 million ordinary shares (derived by dividing the Initial Liquidation Preference by $5.00). The Initial Liquidation Preference will adjust 3.0% every six months as long as the preferred shares are outstanding.

The Company estimated the value of the convertible preferred shares based on the binomial option pricing model. The model takes into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, the current price of the underlying stock, an estimate of the stock's volatility, and the risk-free rate of return expected for an instrument with a term equal to the duration of the convertible debt. The effective interest rate on the debenture was 8.61%.

The amount that was recorded in share capital at inception was as follows:

CAD$ (in 000s)	**Issue Date**
Face value of exchangeable preferred shares	40,000
Value of the embedded option	(3,140)
Fees capitalized	(1,600)
Amount recorded in share capital	**35,260**

Warrants

In consideration for the services rendered by the underwriters in the public offering in 2014, NYX agreed to issue 848,640 warrants to the underwriters, that equaled 6.0% of the number of shares sold pursuant to the public offering. Each broker warrant is exercisable to purchase one share at the offering price of $3.50 per warrant share for a period of 18 months. In addition, NYX agreed to issue to the underwriters 1,236,721 service warrants that equaled 4.0% of the total fully dilutive shares outstanding prior to the closing of the public offering. After one year from the date of issuance, the warrants will be subject to a 30-day forced exercise provision if NYX's daily volume weighted-average share price has been greater than 20.0% of the exercise price for 20 consecutive trading days. Amounts recorded in the share-based payment reserve was $1.3 million for the fair value of the warrants at the time of issuance. The warrants expired on June 30, 2016 and the share-based payment reserve was reduced by $1.3 million during the fourth quarter of 2016.

Other Components of Equity

The Group's presentational currency is Canadian Dollars. Foreign currency exchange differences on translating foreign operations into the reporting currency are reported in other comprehensive income (loss) and included in equity. For the years ended December 31, 2016 and December 31, 2015, foreign currency exchange differences were $(22.4) million and $1.5 million, respectively. Foreign currency translation reserves were $(20.5) million and $1.9 million at December 31, 2016 and December 31, 2015, respectively.

Share-based payment reserves were $2.0 million and $1.8 million at December 31, 2016 and December 31, 2015, respectively.

Equity Raise

On April 26, 2016, NYX issued 38,713,636 subscription receipts at a price of $2.75 per Subscription Receipt. Pursuant to the Subscription Receipt Agreement dated April 26, 2016 and upon the satisfaction of the Escrow Release Conditions, satisfied on May 20, 2016, each Subscription Receipt automatically converted into, without payment of additional consideration or further action on the part of the holder, one (1) Special Warrant in the capital of NYX. The Special Warrants issued under the Subscription Receipt Private Placement Offering are governed by the terms of a special warrant indenture (the ‘‘A-1 Special Warrant Indenture’’) dated April 26, 2016. On April 26, 2016, the Company also issued a $10,000,000 10.0% unsecured convertible debenture (the ‘‘Convertible Debenture’’) to a certain strategic investor. In connection with the satisfaction of the Escrow Release Conditions, the Convertible Debenture automatically converted into 3,636,364 Special Warrants being the principal amount of the Convertible Debenture divided by the Subscription Receipt Offering Price.

On May 20, 2016, the Company issued an additional 12,200,000 Special Warrants at the Subscription Receipt Offering Price per Special Warrant.

All Special Warrants were exercised without payment of any additional consideration on July 20, 2016.

During the fourth quarter of 2016, the Company issued 2.5 million ordinary shares representing 50% of the earnout related to the purchase of Game360. The amount payable is based upon six times adjusted EBITDA for the calendar year 2015. The amount was recorded based on the forecast of the business at the time of the acquisition and discounted to the present value, at the time of the acquisition, from the expected pay date in July 2016. The remaining 50% was paid in cash in January 2017.

Pursuant to the terms of the Special Warrant Indentures, each Special Warrant entitles the holder thereof to receive one (1) equity unit in the capital of the Company (an ‘‘Equity Unit’’) comprised of one (1) ordinary share in the capital of the Company and one-quarter (1⁄4) of one (1) ordinary share purchase warrant in the capital of the Company (each whole warrant, a ‘‘Warrant’’), subject to adjustment and acceleration in certain circumstances in accordance with the Special Warrant Indentures and the Warrant Indentures, without payment of additional consideration upon the exercise or deemed exercise of the Special Warrants at any time after the issuance of the Special Warrants. Each holder of a Warrant who received such Warrant pursuant to the Subscription Receipt Private Placement or Convertible Debenture Offering will be entitled to purchase one ordinary share at a price of $3.50 per warrant share for a period of three years. In July 2016, 54,550,000 of Special Warrants converted into ordinary shares as per the Special Warrant Indenture. The Company accounted for Special Warrants at the fair value, as determined by the Black-Scholes option pricing model and recorded the Special Warrants as a derivative liability. Please see Note 17, *Derivative Financial Instruments* for further information.

On July 31, 2015, the Company issued 13.5 million of its ordinary shares at a price per share of $4.45 for a total of $56.8 million after broker's commissions and expenses of $3.0 million.

Acquisition of Remaining 50% Interest in SNG

On May 28, 2015, NYX acquired the remaining 50.0% interest in SNG from its joint-venture partner Sportech Games Holdco, LLC. As part of the transactions, NYX Gaming, LLC issued 2.2 million common shares at $4.51 per share.

20. Loss Per Share

Basic loss per common share are computed by dividing the earnings for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed using the treasury stock method by dividing the earnings for the period applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional ordinary shares that would have been outstanding if potentially dilutive common shares had been issued.

Both the basic and diluted loss per share have been calculated using the profit attributable to stockholders of NYX as the numerator. No material adjustment to net profit (loss) was necessary for the years ended December 31, 2016 and 2015.

The reconciliation of the weighted average number of shares for the purpose of diluted earnings per share to the weighted average number of ordinary shares used in calculating basic and diluted earnings per share was as follows:

	Years Ended	
CAD$ (in 000s, except per share amounts)	**December 31, 2016**	**December 31, 2015**
Basic:		
Numerator:		
Net loss attributable to owners of the parent	(57,936)	(8,403)
Denominator:		
Weighted average number of shares for basic calculation	75,617	41,188
Net loss attributable to owners of the parent per share - basic	(0.77)	(0.20)
Diluted:		
Numerator:		
Net loss attributable to owners of the parent	(57,936)	(8,403)
Denominator:		
Weighted average number of shares for diluted calculation	75,617	41,188
Net loss attributable to owners of the parent per share - diluted	(0.77)	(0.20)

21. Employee Remuneration

Expense recognized for employee benefits are analyzed below:

CAD$ (in 000s)	Years Ended December 31, 2016	December 31, 2015
Wages and salaries	63,655	21,920
Payroll-related taxes	5,305	5,626
Employee benefits	3,807	4,052
Share-based payments	1,759	276
Total	**74,526**	**31,874**

Employee remuneration is included within personnel expenses in the consolidated income statement. Please see Note 25, *Related Party Transactions*, for officer and Board of Directors compensation expenses.

Share-Based Payments

The Company's share-based compensation plan allows for the grant of stock options and RSUs to eligible employees, officers, directors and certain consultants that meet certain criteria. Each stock option agreement constitutes an option granted to acquire shares in the Company. The options have a vesting period of four years. The RSUs have a vesting period of one year. Upon vesting, each option allows the holder to purchase one ordinary share at the exercise price determined on the date of the grant. Options which are vested must be exercised within 90 days of termination of employment.

Share options and weighted average exercise prices are as follows for the reporting periods presented:

CAD$ (in 000's, except per share amounts)	Number of Options	Weighted Average Contract Life (Years)	Grant Price	Exercise Price
Outstanding at December 31, 2014	**3,348**	**—**	**$ 1.32**	**$ —**
Granted	1,425	—	4.47	—
Forfeited	(94)	—	0.92	—
Exercised	(738)	—	0.92	2.92
Outstanding at December 31, 2015	**3,941**	**—**	**$ 2.54**	**$ —**
Granted	7,079	—	2.67	—
Forfeited	(1,197)	—	2.69	—
Exercised	(1,020)	—	0.92	1.90
Outstanding at December 31, 2016	**8,803**	**5.8**	**$ 2.54**	**$ —**

The stock options issued during the years ended December 31, 2016 and 2015 were accounted for at their fair value of CAD, as determined by the Black-Scholes option pricing model using the following weighted-average assumptions:

	December 31, 2016	December 31, 2015
Expected volatility	65.1%	40.3%
Expected life	4.0 years	4.0 years
Expected forfeiture rate	4.9%	—%
Risk-free interest rate	0.9%	2.0%
Dividend yield	—%	—%
Weighted average exercise price	C$2.67	C$2.54
Weighted average fair value of options at grant date	C$1.31	C$0.92
Weighted average fair value of options outstanding	C$1.31	C$0.92
Weighted average of remaining contractual life outstanding options	6.4 years	4.1 years

The expected volatility was estimated using the Company's public trading history. The expected life was estimated using the average of the vesting period and the contractual life of the options. Forfeiture rate was estimated based on a combination of historical forfeiture rates and expected turnover rates. The risk-free interest rate is based on the rates in effect on the grant date for Canadian Treasury instruments with maturities matching the relevant expected term of the award. The volatility and expected term assumptions used in the Black-Scholes option pricing model can significantly affect the fair value of stock options.

Warrants

In consideration for the services rendered by the underwriters in the 2014 public offering, the Company issued 848,640 warrants to the underwriters, equaling 6.0% of the number of shares sold pursuant to the public offering. Each broker warrant was exercisable to purchase one share at the offering price of $3.50 per warrant share for a period of 18 months. In addition, the Company agreed to issue to the underwriters 1,236,721 service warrants, equaling 4.0% of the total fully dilutive shares outstanding prior to the closing of the public offering. The Company recorded $1.3 million in the share-based payment reserve for the fair value of the warrants during the year ended December 31, 2014. The warrants expired on June 30, 2016 and the share-based payment reserve was reduced by $1.3 million, with a corresponding offset to retained deficit, during the three months ended June 30, 2016.

Warrants and weighted average exercise prices are as follows for the reporting periods presented:

CAD$ (in 000s, except per share amounts)	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2014	**2,085**	**$ 3.50**
Granted	—	—
Exercised	—	—
Outstanding at December 31, 2015	**2,085**	**$ 3.50**
Granted	—	—
Expired	(2,085)	3.50
Exercised	—	—
Outstanding at December 31, 2016	—	$ —

22. Financial Risk Management

Foreign Exchange Risk

The Company is exposed to fluctuations of the Canadian dollar (reporting currency) against the functional currencies of the Company's foreign subsidiaries (including the currencies of the United States, Australia, Sweden, United Kingdom, and Europe) when the Company translates its foreign subsidiaries' financial statements into Canadian dollars for inclusion in the consolidated financial statements. Cumulative translation adjustments are recorded in other comprehensive income (loss) and carried as a separate component of equity. Any increase or decrease in the value of the Canadian dollar against those foreign currencies results in unrealized foreign currency translation losses or gains with respect to assets acquired in, liabilities assumed from, intercompany balances with, and results of operations from the Company's foreign subsidiaries. Therefore, the Company may experience a negative impact on its comprehensive income (loss) and stockholders' equity with respect to its holdings in those subsidiaries as a result of foreign currency translation. The Company generally does not hedge against the risk that it may incur non-cash gains or losses upon the translation of the financial statements of its foreign subsidiaries into Canadian dollars.

A 10.0% increase (decrease) in the strengthening or weakening of the following currencies versus the CAD for the years ended December 31, 2016 and 2015 would have increased (decreased) net loss for the year, holding other variables constant, by:

	Years Ended		**Years Ended**	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
CAD$ (in 000s)	**10% Increase**	**10% Increase**	**10% Decrease**	**10% Decrease**
AUD	(244)	(1)	200	1
EUR	137	561	(112)	(459)
GBP	2,704	(334)	(2,213)	273
SEK	401	(273)	(328)	224
USD	1,807	(73)	(1,479)	60

The Company does not hedge this exposure at this time. This exposure is monitored by the Company's reporting system and is reviewed by management on a monthly basis.

Credit Risk

The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. The Company is exposed to credit risk in the event of non-payment by certain customers for their accounts receivable. Details of the Company's receivables as of December 31, 2016 and 2015 were as follows:

CAD$ (in 000s)	**1 - 30 Days**	**31 - 60 Days**	**61 - 90 Days**	**> 90 Days**	**Allowance for Bad Debt**	**Total**
December 31, 2016	42,240	4,840	656	2,373	—	50,109
December 31, 2015	13,196	2,996	374	474	—	17,040

The carrying value of receivable balances in the table above best represent the Company's maximum exposure to credit risk.

The Company's cash and cash equivalents are held at financial institutions with a minimum rating of A. As of December 31, 2016, the Company does not expect any losses from non-performance by its counterparties.

Liquidity Risk

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Company manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching the maturity of financial assets and liabilities. The Company's policy is to ensure adequate funding is available from operations and other sources as required. Details of the Company's maturity of financial liabilities as of December 31, 2016 and 2015 was as follows:

CAD$ (in 000s)	On Demand	< 3 Months	3 - 6 Months	6 - 9 Months	9 -12 Months	> 12 Months	Total
Financial Liabilities							
December 31, 2016							
Trade and other payables	9,597	28,448	1,193	—	—	—	39,238
Derivative liability	—	—	—	—	—	38,155	38,155
Convertible note	—	—	2,000	3,000	3,000	6,729	14,729
Unsecured debentures	—	—	—	—	1,934	2,731	4,665
Senior secured debentures	—	—	—	—	20,598	287,948	308,546
Total	**9,597**	**28,448**	**3,193**	**3,000**	**25,532**	**335,563**	**405,333**
December 31, 2015							
Trade and other payables	19,540	317	118	75	10,316	—	30,366
Derivative liability	—	—	—	—	—	3,586	3,586
Convertible note	—	—	—	—	9,589	—	9,589
Senior secured debentures	—	—	—	—	—	59,818	59,818
Total	**19,540**	**317**	**118**	**75**	**19,905**	**63,404**	**103,359**

23. Capital Management

The Company's objective in managing capital is to ensure a sufficient liquidity position to market its products, finance its sales and marketing activities, research and development activities, general and administrative expenses, working capital and overall capital expenditures, including those associated with property and equipment. The ability to fund these requirements in the future depends on the Company's ability to access additional capital and generate additional cash flow from its operations. Since inception, the Company has financed its liquidity needs, primarily through issuance of capital stock and borrowings. When possible, the Company tries to optimize its liquidity needs by non-dilutive sources.

The Company defines capital as its total stockholders' equity and net borrowings. To date, the Company's policy is to maintain a mix of equity and borrowings to maximize the Company's capital structure. While the Company does not have any restrictive covenants or liquidity ratios to which to adhere, the Board of Directors regularly assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the Company's capital structure to make adjustments in the light of changes in economic conditions and the risk characteristics of the underlying activities of the business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, return of capital to stockholders, issuance of new shares, or selling of assets to reduce debt.

On July 31, 2015, as a result of the completion of the acquisition of Chartwell and CryptoLogic, the Company issued $70.0 million of Senior Secured Debt. Each debt unit consisted of one $1,000 9% senior secured debenture and 70 ordinary share purchase warrants. The debentures are senior secured obligations of the Company and have an interest rate of 9.0% per annum payable semi-annually in arrears on the last day of June and December each year commencing December 31, 2015. On April 4, 2016, the Company entered into certain waivers, undertakings and consents with two debenture holders representing in excess of two-thirds majority of the outstanding debentures in order to amend the indenture dated July 16, 2015.

Management has performed a detailed analysis of the cash flow projections for the Company as a whole covering the period through April 25, 2017 considering both anticipated cash inflows together with outflows including commitments in relation to debt repayments and contingent consideration on previous acquisitions. The key assumptions in this forecast included the profitable growth of the trading businesses going forward together with the impact on future cash flows of the two transactions subsequent to the year end.

In May 2016, the Company acquired OpenBet and Betdigital, and in April 2016 the Company reached an agreement to sell part of its European poker business, subsequently closing the remaining component. In conjunction with the announcement of these transactions, the Company raised a total of $526.1 million in equity, debt, and preferred stock in order to fund the purchase of OpenBet and provide the necessary funding to meet its existing and future obligations.

The Company believes that funds from operations, as well as existing and future financial resources, should be sufficient to meet the Company's requirements for the foreseeable future. Total equity employed as of December 31, 2016 and 2015 was $191.1 million and $134.7 million, respectively. The capital management objectives listed above have not changed during the fiscal year.

24. Contingency

The acquisition-date fair value of any contingent consideration was recognized as part of the consideration transferred by the Company in exchange for the acquired business. Changes in the fair value of contingent consideration that results from additional information obtained during the measurement period, which can be up to one year from the date of the consummation of the relevant acquisition, about facts and circumstances that existed at the acquisition date are adjusted against goodwill. Changes in the fair value of contingent consideration that results after the measurement period is recorded as a gain or loss on revaluing of contingent consideration in the Company's consolidated income statement. The Company estimates, based on expected future cash flows, the amount that would be required to settle the applicable contingent consideration and recognizes the present value of the same. Refer to Note 18, *Financial Assets and Liabilities*, for more information pertaining to contingent consideration, also referred to as earnout.

25. Related Party Transactions

Transactions with Key Management Personnel

Key management of the Company includes executive members of the Company's Board of Directors and members of the executive management team. Key management personnel remuneration included the following expenses:

	Years Ended	
CAD$ (in 000s)	**December 31, 2016**	**December 31, 2015**
Officers and Board Compensation		
Wages and salaries	1,486	1,984
Bonus	972	68
Share-based payments	460	440
Employee benefits and taxes	82	157
Board compensation	33	130
Total	**3,033**	**2,779**

26. Subsequent Events

None